

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Portage	County Kalamazoo
Fiscal Year End June 30, 2007	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

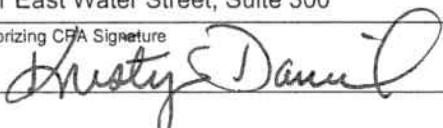
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BDO Seidman, LLP		Telephone Number (269) 382-0170	
Street Address 211 East Water Street, Suite 300		City Kalamazoo	State MI
		Zip 49007	
Authorizing CPA Signature 		Printed Name Kristy Daniel	License Number 1101020549

City of Portage, Michigan
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2007

Prepared by:

Finance Department

CITY OF PORTAGE, MICHIGAN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS

INTRODUCTORY SECTION		Page
Title Page	i	
Table of Contents	ii – iv	
Letter of Transmittal	v – xi	
Certificate of Achievement for Excellence in Financial Reporting	xii	
Organization Chart	xiii	
List of Elected and Appointed Officials	xiv	
 FINANCIAL SECTION		
Independent Auditors' Report	1	- 2
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	3	- 4
Management's Discussion and Analysis	5	- 18
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Assets	19	
Statement of Activities	20	- 21
Fund Financial Statements		
Balance Sheet - Governmental Funds	24	- 25
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	27	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	28	- 29
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	33	- 35
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Streets Fund	36	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Local Streets Fund	37	
Statement of Net Assets - Proprietary Funds	38	- 39
Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds	40	
Statement of Cash Flows - Proprietary Funds	41	
Statement of Fiduciary Net Assets - Fiduciary Funds	42	
Statement of Changes in Fiduciary Net Assets - Pension Trust Funds	43	
Notes to the Financial Statements	45	- 66

CITY OF PORTAGE, MICHIGAN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS - continued

	Page
Required Supplementary Information:	
Schedule of Funding Progress - Defined Benefit Retirement Plan	67
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	71
Combining Balance Sheet - Nonmajor Special Revenue Funds	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	73
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Cultural Activities Fund	74
Cable Television Fund	75
Community Development Block Grant Fund	76
Michigan State Housing Development Authority Grant Fund	77
Brownfield Redevelopment Authority Fund	78
West Lake Management Fund	79
Curbside Recycling Fund	80
Leaf Pickup / Spring Cleanup Fund	81
Combining Balance Sheet - Nonmajor Debt Service Funds	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	83
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Obligation Debt Service Fund	84
Motor Vehicle Highway Debt Service Fund	85
Downtown Development Authority Debt Service Fund	86
Building Authority Debt Service Fund	87
Local Development Finance Authority 2004 Debt Service Fund	88
Cemetery Permanent Fund	89
Community Development Block Grant Program Income Fund	90
Combining Statement of Net Assets - Internal Service Funds	91
Combining Statement of Revenues, Expenditures and Changes in Fund Net Assets - Internal Service Funds	92
Combining Statement of Cash Flows - Internal Service Funds.....	93
Other Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Assessments Fund	96
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	97

CITY OF PORTAGE, MICHIGAN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS - concluded

	Page
Combining Statement of Fiduciary Net Assets - Pension Trust Funds	99
Combining Statement of Changes in Fiduciary Net Assets - Pension Trust Funds.....	100
Combining Statement of Net Assets - Agency Funds.....	101
Statement of Changes in Agency Fund Assets and Liabilities - Fiduciary Funds	102 - 103
Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedules by Source	104
Schedule by Function and Activity	105
Schedule of Changes by Function and Activity	106

STATISTICAL SECTION (unaudited)

Fund information:

Net Assets by Component.....	109
Changes in Net Assets.....	110 - 111
Fund Balances of Governmental Funds	112
Changes in Fund Balances of Governmental Funds	113
Assessed Value and Estimated Market Value of Taxable Property.....	114
Property Tax Rates.....	115
Principal Property Taxpayers	116
Property Tax Levies and Collections	117
Ratios of Outstanding Debt by Type	118
Ratios of General Bonded Debt Outstanding.....	119
Computation of Direct and Overlapping Bonded Debt	120
Computation of Legal Debt Margin.....	121
Pledged Revenue Coverage.....	122
Demographic and Economic Statistics	123
Principal Employers.....	124
Full-time Equivalent City Government Employees by Function/Program.....	125
Operating Indicators by Function/Program.....	126
Capital Asset Statistics by Function.....	127



December 10, 2007

To the Honorable Mayor, members of the City Council, and the Citizens of the City of Portage:

The comprehensive annual financial report of the City of Portage for the fiscal year ended June 30, 2007 has been completed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the city's management. To the best of our knowledge and belief the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the city. All disclosures necessary to enable the reader to gain an understanding of the financial activities of the city have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the city organizational chart and a list of principal officials. The financial section includes the management's discussion and analysis, the financial statements and the combining and individual fund financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all funds of the city. The city provides a full range of municipal services. These services include police and fire protection; water and wastewater services; the construction and maintenance of highways, streets, and other infrastructure; recreation activities and cultural events. In addition to the general activities of the city, the Building Authority, the Downtown Development Authority, and the Local Finance Development Authority are blended into the reporting entity. This report also presents the Economic Development Corporation as a discrete component unit.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City of Portage's MD&A can be found immediately following the report of the independent auditors.

LOCATION AND LAND USE

The City of Portage, which is situated in the southwest part of the State of Michigan and located halfway between Chicago and Detroit, covers an area of 35.2125 square miles. Approximately 73 percent of the land is zoned for residential use, 19 percent for industrial and 8 percent zoned for commercial uses. This mix of land uses and convenient access to two major highways creates a balanced and healthy local economy.

ECONOMIC CONDITION AND OUTLOOK

The City of Portage is the unit of government in Kalamazoo County with the largest Assessed Value (regular tax roll). The state equalized value of real and personal property including tax abatements has increased from \$348,055,600 in 1980, to \$799,757,900 in 1990, to \$2,239,811,700 for the fiscal year ended June 30, 2007. The taxable value for the year beginning July 1, 2007 increased approximately 3.5 percent over the prior year. The City of Portage unemployment rate for September 2007 was 4.2 percent.

Portage has a well-balanced and diversified economy. Residential use accounts for 55 percent of the property value, industrial 20 percent and commercial 25 percent. Employment is also well balanced which is characterized by a high degree of manufacturing (21.3 percent of total employment), wholesale and retail trade (16.7 percent), and service activity (40.1 percent), the remaining 21.9% include agricultural, construction, and public administration employment. Based on the 2002 census, the number of employed Portage residents was 23,566; yet 35,192 jobs existed within Portage, making Portage a net importer of jobs for residents from Kalamazoo County and beyond. By the year 2025, the number of jobs offered in the City of Portage is expected to increase to 37,928 (2002 Portage Comprehensive Plan).

The Pfizer Corporation, the city's largest taxpayer, has manufacturing, packaging and office facilities located in the City of Portage. Construction activities for the Pfizer complex in Portage continue with additions, modification and new packaging and processing lines being added.

Stryker Corporation constructed a 433,000 square-foot medical-products manufacturing facility in the City of Portage that was completed in 2005. This facility, at the corner of Sprinkle Road and East Centre Avenue, is the primary Stryker Medical Division manufacturing facility. The Stryker Medical division focuses on the production of hospital and emergency service beds and stretchers. Additional manufacturing, warehousing and administrative facilities are located throughout Portage making Stryker the city's second largest taxpayer.

In October 2004, the City of Portage Planning Commission approved the site plan for an estimated \$30 million dollar expansion at the Stryker Instruments facility located at 4100 East Milham Avenue. The completion of this approximate 200,000 square foot manufacturing facility at the southeast corner of East Milham Avenue and Sprinkle Road builds upon the success of the surgical instruments division. The Stryker Instruments division is the company's primary location for the production of replacement hips and joints, along with orthopedic surgical instruments such as medical drills, saws and micro-powered tools. These facilities located in Portage are part of a total facilities expansion and renovation project with a total estimated investment of \$62 million and an estimated total of 225 new jobs and 1,600 jobs retained according to communication from Stryker.

The continued diversification and growth of the local economy and tax base is viewed as essential to the community. In an effort to ensure a healthy economy, the City of Portage announced and implemented four major initiatives during the past decade. These four initiatives are listed below:

1. ***1996 Industrial Development Initiative:*** an investment of nearly \$2 million in public infrastructure improvements to open up more than 100 acres of land for full-service industrial sites within industrial park settings. Several industrial facilities including Federal Express, Summit Polymers, Business Cards Plus, Avtech Laboratories, Idea, Inc., Kalamazoo Machine Tool, Quality Air Service, among others have constructed new facilities as a direct result of this city initiative. Private investment totals \$34.4 million to date.

2. **1998 Community Investment Initiative:** the combined investment of almost \$7 million from local, state and federal sources in important infrastructure projects within the first city Downtown Development Authority (DDA) district, development of the 50 acre Milham Business/Technology Park and the reconstruction of Shaver Road as a boulevard. Businesses including Gander Mountain, Meijer, Inc., Bennigan's Restaurant, Lowe's Home Improvement Center and Hooters Restaurant have also constructed new facilities as a result of the Community Investment Initiative. Businesses have invested approximately \$88.4 million to date.
3. **1999 Commerce Square Enhancement Initiative:** focused on enhancements to the South Westnedge Avenue commercial corridor including roadway improvements to South Westnedge Avenue, Mall Drive and Romence Road/Romence Road Parkway. These major roadway improvement projects will ensure the continued success of the central business area by providing safe and convenient access for patrons and employees. The Commerce Square Enhancement Initiative stimulated redevelopment of the northwest corner of South Westnedge Avenue and West Milham Avenue. Several aging and vacant buildings previously occupied this area, one of the busiest intersections in Kalamazoo County. These aging and vacant buildings have been razed and replaced with new facilities for Bed Bath and Beyond, Panera Bread, Babies'R'Us, and Consumers Credit Union. The Commerce Square Enhancement Initiative also included a major project to improve water quality associated with local wetlands and Consolidated Drain No. 1 and, at the same time, reclaim land for development that was previously used for storm water retention. The total level of public investment amounted to more than \$9 million. The Shoppes at Romence Village is a 150,000 square foot retail center anchored by D&W Food Center and Stein Mart, with additional retailers Great Clips, Tuesday Morning, Renaissance Home & Garden, Mirage Tanning Salon and restaurants Los Amigos, Z-Café, and Jets Pizza completed in subsequent phases of this development project. To date, approximately \$77.6 million in private investment has occurred.
4. **The South Westnedge Avenue Enhancement Project:** a major corridor improvement program from Milham Avenue to Kilgore Road. The project was initiated in 2004/2005 to coordinate with and facilitate the improvement of the I-94/South Westnedge Avenue interchange and associated widening of South Westnedge Avenue from Dawnlee Avenue to Trade Center Way by the Michigan Department of Transportation. The project includes street widening, new street construction and property acquisition.

South Westnedge Avenue is a most important north-south major street in Kalamazoo County and provides access to the major shopping areas in the city. Considerable new development and redevelopment is occurring on the South Westnedge Avenue corridor especially between Kilgore Road and Milham Avenue. The planned MDOT improvement to the I-94/South Westnedge Avenue interchange and related freeway improvements will necessitate associated widening from Kilgore Road to Milham Avenue.

The financial and employment-related success of these economic development initiatives is significant. Eighty-four businesses and industries have either expanded existing facilities in Portage, have been retained within Portage or have established new facilities within the community. In total to date, the level of investment is approximately \$200 million in estimated market value, with an estimated 3,474 added jobs. Although the City of Portage allocated significant local resources to ensure the success of these important economic development initiatives, the return on investment is significant. The initial economic impacts associated with the private sector projects are very good news for the community in terms of diversifying the tax base and adding job opportunities for area residents. It is also important to underscore that these initiatives were accomplished without a tax increase and with a combination of local tax resources, private sector participation as well as state and federal funds.

The continued expansion of existing industrial facilities within the Sprinkle Road Industrial Corridor has also been significant. Major building renovations and/or additions are currently underway by the Stryker Corporation, among others. The continued investment in the improvement of existing industrial facilities further indicates a healthy and growing economy.

Portage is also a major retail center for Southwest Michigan. The Crossroads Mall, a regional shopping center of more than 800,000 square feet, has approximately 100 tenants including Macy's, J.C. Penney & Company, Burlington Coat Factory and Sears Roebuck & Company. Southland Mall is another major retail mall in the city. The nearly 300,000 square foot retail center includes Old Navy Apparel, Circuit City, Kohl's Department Store, Barnes & Noble Book Store and T.J. Maxx, among other stores. Several additional major retailers are located within Portage including: Meijer, Inc., Home Depot, Lowe's, Target, Best Buy, K-Mart Corporation, and Menards Home Improvement Center. Two other retail shopping centers, the Portage Crossings and the Carillon Center, have a combined building area of 308,000 square feet. Additionally, Sam's Club wholesale club constructed a new, larger (135,000 square foot) facility on South Westnedge Avenue at Romence Road that was opened in early 2006. The estimated employment of Portage retail trade establishments in 2002 was 9,500. The total retail area in the main South Westnedge commercial corridor is approximately 4.1 million square feet with a 94 percent occupancy rate as of November 2006.

Other projects which have had a positive impact on the local economy include the extension of the Romence Parkway to Portage Road in 2000, the creation of a Brownfield Redevelopment Authority in 2001 and several quality of life enhancements. The extension of Romence Parkway to Portage Road had a major impact on traffic flow in the community by providing an essential east-west link in the major thoroughfare system with improved access to the commercial corridor and to industrial centers in the community. East Milham Avenue from Oakland Drive to Lovers Lane, and Centre Avenue from Portage Road to Sprinkle Road have been widened. These improvements afford numerous economic development benefits, and provide improved roadway access and city utilities to Pfizer, Inc.

The creation of a Brownfield Redevelopment Authority in 2001 has provided an important economic incentive for the environmental clean-up and redevelopment of the former Portage Steel site located on West Centre Avenue. Redevelopment of this property, which was abandoned for several years, with an approximate \$10 million retail and office complex is a significant benefit to the city and to the other taxing jurisdictions. This ongoing redevelopment project provides an expanded tax base and additional job opportunities (estimated to be 200-250) for area residents and is a significant economic development initiative within the area.

Quality of life for Portage residents is a major focus. Several major enhancement projects have recently implemented to promote recreation and healthy lifestyles for citizens. The Northwest Portage Bikeway is a two-mile non-motorized trail that serves the most heavily populated quadrant of the community and connects to school, park and commercial facilities. The recently completed Liberty Park in the Portage City Centre was the result of an environmental and economic development initiative. This urban park features floral displays, a boardwalk along Portage Creek and a waterfall in addition to cleaning polluted storm water runoff from the area. Through a federal grant, new development at South Westnedge Park includes an in-line hockey rink, soccer field and 10,000 square foot concrete skate park. The skate park has drawn state-wide acclaim for the unique features offered and is very popular for area youth and young adults. Veterans Memorial Park with a landscaped flag display is a tribute to those who have served and currently serve in the United States Military. This joint project with local veteran organizations is a focal point for the region. The Millennium Park Ice Rink continues to be a major community recreational destination site. This outdoor refrigerated surface was the first in southwest

Michigan. With a free-form design, thousands of area residents skate “under the stars” during the winter season.

There are several area and regional commercial bank branches and thrift institutions within the city, which serve the banking needs of the community and its residents. These include: Comerica, J. P Morgan Chase, National City, Fifth Third Bank, Flagstar Bank, LaSalle Bank, Huntington Bank, Portage Commerce Bank (headquartered in Portage), Keystone Community Bank, Chemical Bank – Shoreline and Wells Fargo Bank.

Transportation needs are served by United, American, Delta and Northwest airlines through the Kalamazoo-Battle Creek International Airport; several bus services; and railroads. Two major highways, Interstate 94 and U.S. 131 intersect within the City of Portage, providing a major “crossroads” which continues to promote growth and development. The Michigan Department of Transportation has initiated the design stage to widen I-94 through the City of Portage. Completion of this important highway improvement project is expected by 2015-17. The City of Portage is 152 miles from Detroit on I-94, 148 miles from Chicago on I-94, and 245 miles from Indianapolis via I-94 and I-69, and so has access to 65 percent of the market population of the U.S. within 500 miles.

MAJOR INITIATIVES

For the Year.

The 2006/2007 budget emphasized the areas of Transportation and Quality of the Environment.

Transportation – The South Westnedge Enhancement Project is a continuing major corridor improvement program from Milham Avenue to Kilgore Road in anticipation of the I-94 widening by the Michigan Department of Transportation. The project includes street widening, new street construction and property acquisition. The Shaver Road/West Centre Avenue intersection was improved by widening eastbound Centre Avenue and southbound Shaver Road by adding separate right-turn lanes to accommodate right-turn movements. Pavement widening and new curbs and gutters were installed. This project included property acquisition, traffic signal modifications, storm sewer adjustments and pavement markings. I-94 Improvements: West city limits to Portage Road was a continuation of the project to widen I-94 to six lanes within the city limits from 12th street to Portage Road including reconstruction of existing bridge structures at Oakland Drive, South Westnedge Avenue, Lovers Lane, railroad crossings, and Portage Road. Sound barriers were also installed. Lovers Lane/I-94 Bridge Improvements: In conjunction with the Michigan Department of Transportation (MDOT) the existing two-lane bridge on Lovers Lane over I-94 was widened and reconstructed to five lanes. Necessary width and height clearance over I-94 is provided. East Kilgore Road, Lovers Lane to Portage Road: To improve the safety and traffic flow on Kilgore Road by widening the existing roadway and adding an optional center left turn lane. Project included new concrete curbs and gutters, asphalt pavement, bike lanes, storm drainage and landscaping. Also, reconstruction of Bacon Avenue from Portage Road to 1,400 feet east of South Westnedge Avenue, including paved shoulders and sanitary sewers.

Quality of the Environment – Installation of sanitary sewer and appurtenances in: Mandigo Avenue from Portage Road to Andrews Avenue and in Andrews Avenue from Mandigo Avenue to Woodhams Avenue; Stanley Avenue from Portage Road to Woodlawn Drive; Bacon Avenue, South Westnedge Avenue to approximately 1,400 feet east of South Westnedge Avenue including the rebuilding of the street. Osterhout Avenue, from approximately Schrier Park to South Westnedge Avenue. This project was built in conjunction

with the reconstruction of Osterhout Avenue from Shaver Road to Schrier Park and from South Westnedge Avenue to Portage Road.

FINANCIAL INFORMATION

The City Administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the city are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, though not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls. The city maintains budgetary controls through its financial management information system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the governing body of the city. Activities of the General Fund, Special Revenue Funds, and Debt Service Funds are included in the annually appropriated budget. Project-length financial plans are adopted for the Capital Improvement Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by activity or project within the individual funds. The city also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

As demonstrated by the statements and schedules included in the financial section of this report, the city continues to meet its responsibility for sound financial management.

Please see the section titled Management's Discussion and Analysis which follows the auditor's opinion for additional information relating to fiscal year 2006/2007.

Tax collections were 98.5 percent of the tax levy. The County of Kalamazoo has established a Delinquent Tax Revolving Fund and pays the city for all real property taxes returned as delinquent to the County Treasurer as of March 1 of each year.

General Fund Balance. The total fund balance of the General Fund decreased by \$118,879 in 2006/2007. In 1985 City Council established an intent that the fund balance of the General Fund be at least 13 percent of General Fund expenditures including transfers. The total fund balance of the General Fund at June 30, 2007 was \$4,295,057 or 18.47 percent of actual 2006/2007 expenditures including transfers.

The city's general obligation bonding is rated at AA by Standard & Poor's. This solid rating has the effect of reducing borrowing costs and is another indicator of the financial viability of the city and community.

Enterprise Operations. The city enterprise operations are comprised of the Water and Sewer Funds. At June 30, 2007, the Sewer and Water Funds had net asset value balances of \$47,267,111 and \$16,979,003 respectively. Utility financial soundness is exemplified by a cash balance of \$2,019,121 at June 30, 2007. Annual rate reviews and adjustments ensure continued financial soundness of the utility system.

Cash Management. Cash on hand is invested in obligations of the U.S. Government and its agencies, commercial paper, bankers' acceptances, certificates of deposit from banks and pooled

cash and investment money market funds as permitted by State law and city policy. The investment policy was revised by City Council in January 2005 requiring benchmark comparisons for all investments and limiting the term of allowable investments. The average yield on investments for the year ended June 30, 2007, excluding the Pension Trust Fund, was 4.313 percent (compared to an average of 3.68 percent for the 2005/2006 fiscal year).

Risk Management. As of June 30, 2007, the city participates in a public entity risk pool, the Michigan Municipal Risk Management Authority pool, for insurance coverage for liability, auto, crime and property damage risks.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of BDO Seidman was selected by the city. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the city for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the twenty-first consecutive year the city has received this award. The Certificate of Achievement recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City of Portage published an easily readable and organized comprehensive annual financial report that conforms to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. It is believed that the current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and will be submitted to the GFOA to determine eligibility for another certificate.

In addition, the city also received the GFOA Award for Distinguished Budget Presentation for the annual budget for fiscal year 2006/2007. In order to qualify for the Distinguished Budget Presentation Award, the city budget document was judged to be proficient as a policy document, a financial plan, an operations guide and a communication device. This was the twenty-first consecutive year the City of Portage received this award.

Acknowledgments. This comprehensive annual financial report indicates the excellent financial condition of the City of Portage at June 30, 2007. The preparation of this report could not have been accomplished without the dedicated services of the Finance Department staff. Credit also goes to the Portage City Council for interest and support in planning and conducting the operations of the government in a responsible and progressive manner.

Sincerely,



Maurice S. Evans
City Manager



Daniel S. Foecking
Finance Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Portage for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the twenty first consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Portage
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Blain".

President

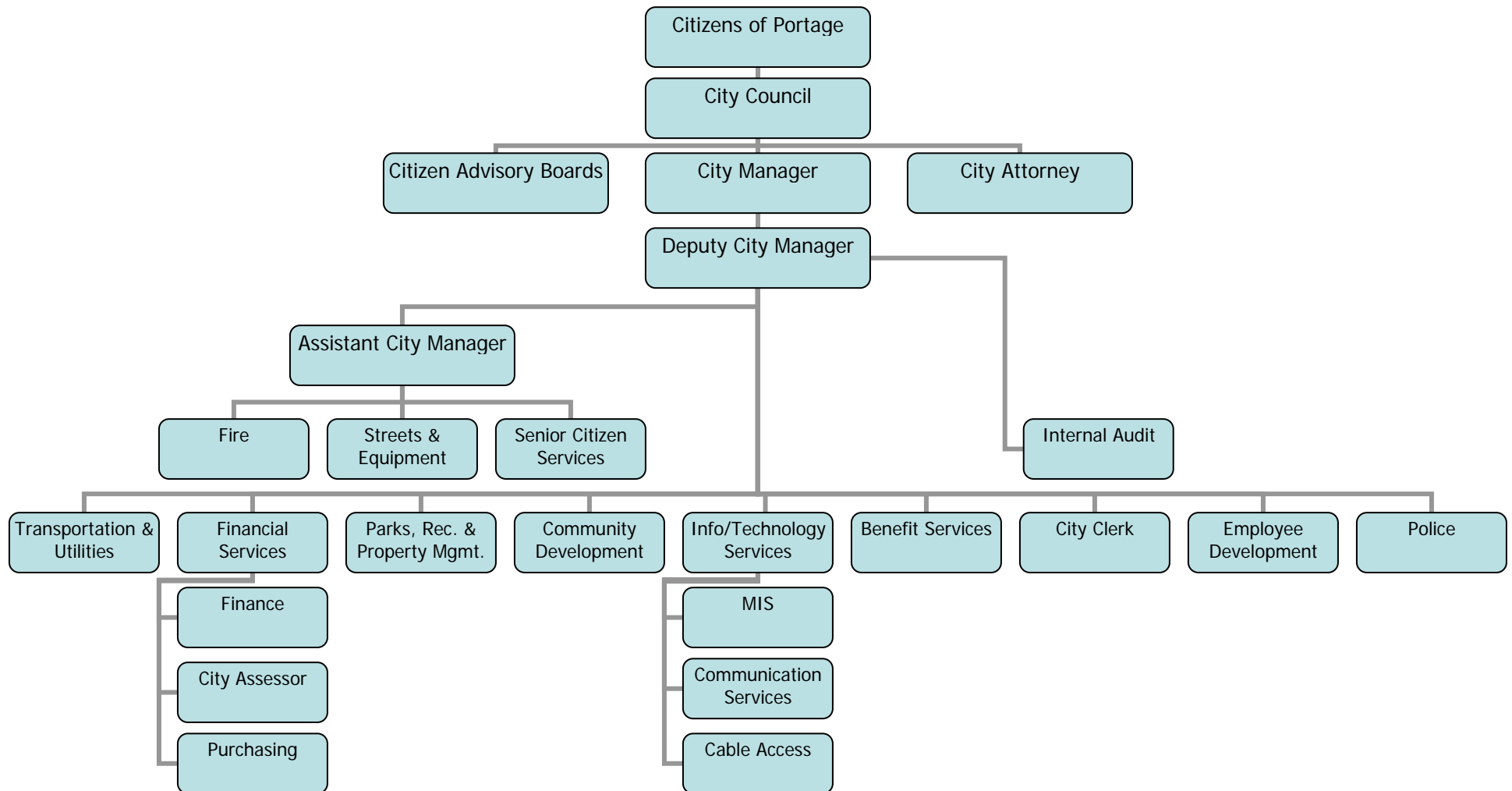
A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



City of Portage Organizational Chart



CITY OF PORTAGE, MICHIGAN
List of Elected and Appointed Officials
June 30, 2007

Elected Officials

Mayor	Peter J. Strazdas
Mayor Pro Tempore	Ted W. Vliek, Sr.
Council Member	Larry DeShazor
Council Member	Margaret E. O'Brien
Council Member	Claudette Reid
Council Member	Ed Sackley
Council Member	Terry R. Urban

Appointed Officials

City Manager	Maurice S. Evans
Deputy City Manager	Brian B. Bowling
Assistant City Manager	Sean P. McBride
Assistant City Manager for Information Technology	Devin C. Mackinder
City Attorney	Randall Brown
City Clerk	James R. Hudson
Assessor	James C. Bush
Benefit Services Director	Patricia Thompson
Community Development Director	Jeffrey Erickson
Employee Development Director	John R. Boulis
Finance Director	Daniel S. Foecking
Fire Chief	Randolph B. Lawton
Parks and Recreation Director	William M. Deming
Police Chief	Richard J. White
Purchasing Director	Robert Luders
Senior Citizen Services Director	Josephine Arnold
Streets and Equipment Director	Jack G. Hartman
Transportation and Utilities Director	G. Dallas Williams



Independent Auditors' Report

Honorable Mayor and
Members of the City Council and City Manager
City of Portage
Portage, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portage (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the management of the City. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2007, and the respective changes in financial position and cash flows of its proprietary fund types thereof and the respective budgetary comparisons for the General Fund, Major Streets Fund, and Local Streets Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on Pages 5 through 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information, except for the introductory section and portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO Seidman, LLP

Certified Public Accountants

November 30, 2007



**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Governmental Auditing Standards***

Honorable Mayor and
Members of the City Council and City Manager
City of Portage
Portage, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portage (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate memorandum dated November 30, 2007:

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Certified Public Accountants

November 30, 2007

This section of the City of Portage's (the City) Comprehensive Annual Financial Reports presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, and the City's financial statements that follow this section.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$102,861,481 dollars (net assets). Of this amount, \$686,637 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens.

At the close of the current fiscal year, the unreserved fund balance for the general fund was \$2.78 million or 11.97% of total general fund expenditures, including transfers out, of \$23,249,497, while undifferentiated fund balance is 18.47% of total expenditures.

Voters approved a 1 mill tax increase to fund street construction and reconstruction in lieu of special assessment levies on subject property owners. This will provide a stable and continuing source of funding to extend and maintain the high quality of the street infrastructure that citizens currently enjoy.

In anticipation of the implementation of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the City has formed qualifying trusts and pre-funded estimated liabilities for retiree health care obligations.

In summary, the City has been able to sustain a savings plan, evidenced by increases in unreserved fund balance, to provide funding for future years infrastructure needs and as a hedge against continued declines in state and federal revenues. The Administration has undertaken a program of longer range financial forecasting to plan for the economics of slower growth as an aid to budget development.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which consist of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

a. Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner comparable to a private-sector business. The two government-wide financial statements are, as follows:

- The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets.
- The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes of net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to future

general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and highways, and parks and facility management. The business-type activities of the City include the water and sewer utilities.

b. Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental, proprietary and fiduciary funds. Within the governmental and proprietary categories, the emphasis is on the major funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds, which focus on how cash and other financial assets can readily be converted to available resources and on the available balances left at the year-end. This information may be useful in determining what financial resources are available in the near future to finance the City's programs. Other funds are referred to as non-major funds and are presented as summary data.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide statements. In addition to the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level statements.

The City's general fund is considered a major fund, and information is presented separately in the governmental fund balance sheet and statements of revenues, expenditures and changes in fund balances. In addition to the other major governmental funds (special assessment, capital improvement, major and local streets, and CDBG Program Income) the City maintains several individual governmental funds organized according to their type: special revenue funds, debt service funds, and permanent funds. Data from these governmental funds are combined into a single column labeled non-major governmental funds. Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers -- either outside customers or internal units or departments of the City. Proprietary fund statements provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the water and sewer utilities, each of which are major funds.
- Internal service funds are used to report activities that provide services for many City programs and activities. The City uses internal service funds to account for equipment and certain insurances. Because these services benefit governmental operations more than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Since the resources of fiduciary funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Comparison of Government-wide and Fund Financial Components. The following chart compares how the City's funds are included in the government-wide and fund financial statements:

Fund Types	Government-wide	Fund Financials
General fund	Governmental	Governmental
Special assessment funds	Governmental	Governmental
Capital projects funds	Governmental	Governmental
Special revenue funds	Governmental	Governmental – non-major
Debt service funds	Governmental	Governmental – non-major
Permanent funds	Governmental	Governmental – non-major
Internal service funds	Governmental	Proprietary
Assets previously reported with General capital assets	Governmental	Excluded
Infrastructure assets	Governmental	Excluded
Liabilities previously reported with general long-term debt	Governmental	Excluded
Water fund	Business-type	Proprietary
Sewer fund	Business-type	Proprietary
Fiduciary funds	Excluded	Fiduciary

Basis of reporting. The government-wide statements and fund-level proprietary statements are reported using the flow of economic resources measurement focus and on the full accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

c. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the Government-wide Statements

a. Net Assets

The combined net assets of the City were as follows:

Net Assets						
(in thousands)						
	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets						
Current and other assets	\$ 19,787	\$ 23,480	\$ 5,120	\$ 5,591	\$ 24,907	\$ 29,071
Capital assets	97,164	101,293	93,096	92,264	190,260	193,557
Total assets	116,951	124,773	98,216	97,855	215,167	222,628
Liabilities						
Long-term debt outstanding	69,884	73,556	27,660	29,347	97,544	102,903
Other liabilities	8,452	7,481	6,310	4,257	14,762	11,738
Total liabilities	78,336	81,037	33,970	33,604	112,306	114,641
Net assets						
Invested in capital assets, net of related debt	30,047	15,355	65,552	62,917	95,599	78,272
Restricted	6,375	8,249	200	200	6,575	8,449
Unrestricted	2,193	20,132	(1,506)	1,134	687	21,266
Total net assets	\$38,615	\$43,736	\$64,246	\$64,251	\$102,861	\$107,987

As noted earlier, net assets may serve as a useful indicator of a government's financial position. One must keep in mind, however, that capital assets and infrastructure are by far the largest category of governmental assets. Depreciation charges, while significant enough to cause a decrease in net assets, are none the less a non-cash charge and merely indicate the relative age and resulting adjusted book value of the assets. It is not a direct reflection of the quality or usefulness of those assets when they are well maintained. Over time, the level of depreciation of certain asset groups may indicate the need for a substantive level of capital investment. Please refer to the information contained in Note 6 to the financial statements, Capital Assets and Infrastructure, as well as the Other Information section of this discussion for further information. In summary, decreases in net assets driven by depreciation charges are troubling only when maintenance and conservation are neglected, and capital investment is not continuing.

For the City, assets exceeded liabilities by \$103 million at the close of the fiscal year, a decline of 5% over the prior year. This is attributable to the ongoing commitment to investing in capital improvements across the City. These investments decrease cash or increase debt and depreciate in value over time.

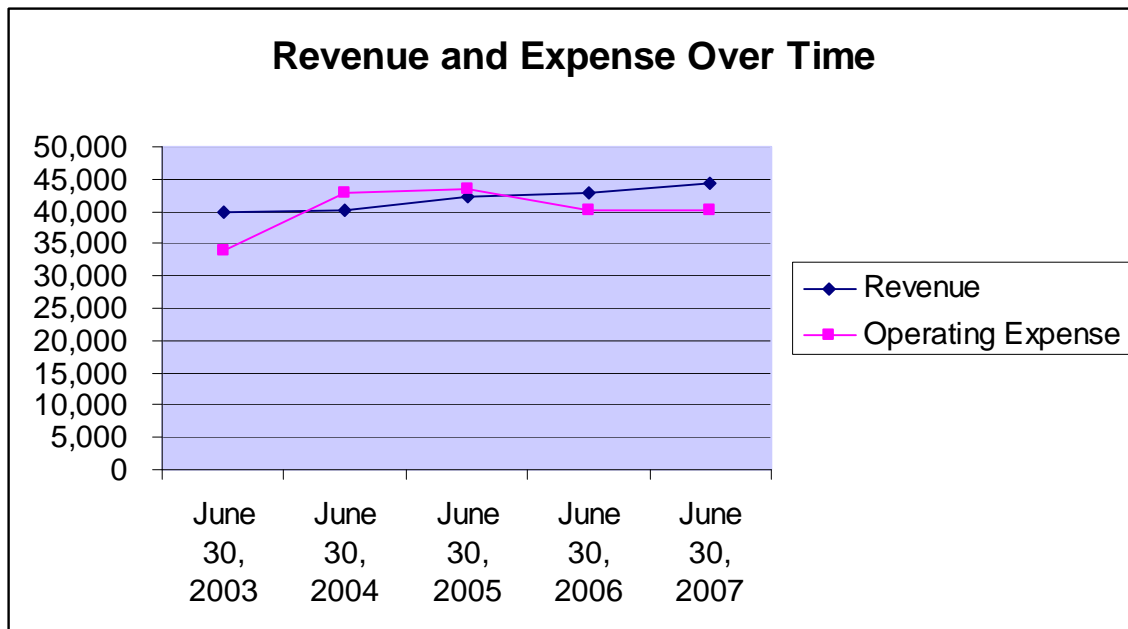
The largest portion of the City's net assets (92.9%) is invested in capital assets (e.g. land, buildings, and equipment), a number that is net of accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens: consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net assets, \$6.6 million (6.4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$687 thousand (0.7%) may be used to meet the government's ongoing obligations to citizens and creditors.

The Government Finance Officers Association recommends that, at a minimum, a government, regardless of size, maintain an unreserved fund balance no less than 5 to 15 percent of regular general fund operating revenue, or no less than one to two months of regular fund expenditures. An adequate level of unreserved fund balance is necessary to mitigate current and future risks, and to ensure stable tax rates and service levels. The Portage City Council has indicated that it wished to see a 13% fund balance maintained as a guideline based on expenditures. At the end of the current fiscal year, the City is able to report positive balances in net assets for the government as a whole, as well as for business-type activities. It is also able to report an adequate level of fund balance at year-end. From year to year, the City may report a fund balance in excess of 13% as the result of planned savings for expenditures in the near future.

b. Changes in Net Assets

The chart below illustrates actual City-wide revenue and expenditures over the past five fiscal years. Changes in net assets take into account the impact of debt repayment and non-cash depreciation expense. The table following this chart shows that net assets are decreasing. This chart shows that revenue and core operating costs have been relatively flat over the past five years. Taken together, investment in capital plays the primary role in driving changes in net assets but says little about operations.



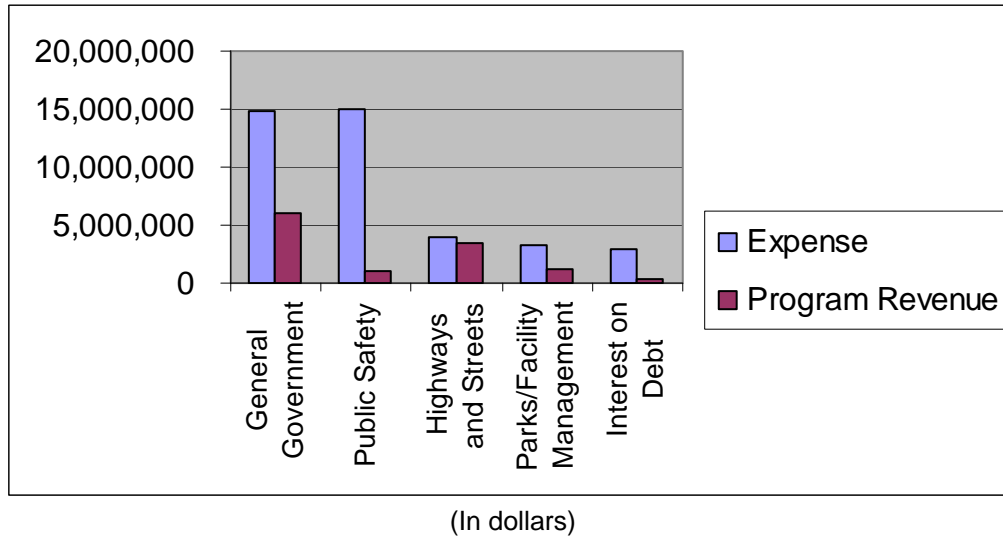
Total net assets of the City decreased by \$5.1 million in the current year. An overall decline in the level of cash and investments was the result of deferring the bonding for capital improvements until after the 2007 construction season ended. This permitted a savings in interest expense. Governmental net assets decreased by \$5.1 million, which is attributable primarily to annual depreciation expense offset by an increase in property tax revenues. The net assets of business-type activities decreased by \$5,000, as charges for services revenues were down compared to the prior year.

Changes in Net Assets						
(in thousands)						
	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$ 2,360	\$ 2,440	\$ 8,552	\$ 8,748	\$ 10,912	\$ 11,188
Capital grants	1,529	2,355	-	2	1,529	2,357
Operating grants	4,370	4,826	70	97	4,440	4,923
General revenues:						
Property taxes	20,042	17,936	-	-	20,042	17,936
Interest revenue	388	593	-	-	388	593
Gain/(loss)	1,347	9	-	-	1,347	9
Other general revenues	5,443	5,758	117	-	5,560	5,758
Total revenues	35,479	33,917	8,739	8,847	44,218	42,764
Program expenses						
Legislative	49	54	-	-	49	54
Judicial	25	17	-	-	25	17
General government	5,581	5,515	-	-	5,581	5,515
Public safety	14,967	14,383	-	-	14,967	14,383
Public works	440	420	-	-	440	420
Health and welfare	1,535	1,560	-	-	1,535	1,560
Economic development	-	1,952	-	-	-	1,952
Recreation and cultural	3,339	3,240	-	-	3,339	3,240
Public transportation	58	151	-	-	58	151
Highways and streets	3,945	2,327	-	-	3,945	2,327
Unallocated depreciation	7,103	7,107	-	-	7,103	7,107
Interest on long-term debt	2,946	3,251	-	-	2,946	3,251
Sewer	-	-	5,351	5,722	5,351	5,722
Water	-	-	4,004	4,931	4,004	4,931
Total expenses	39,988	39,977	9,355	10,653	49,343	50,630
Excess (deficiency)						
Before transfers	(4,509)	(6,060)	(616)	(1,806)	(5,125)	(7,866)
Transfers	(611)	(37)	611	37	-	-
Increase (decrease)						
in net assets	\$ (5,120)	\$ (6,097)	\$ (5)	\$ (1,769)	\$ (5,125)	\$ (7,866)

c. Program Revenues and Expenses - Governmental Activities

The chart below illustrates the City's governmental expense and activity revenues by function: general government, public safety, highways and streets, parks and facility management, and interest on debt. This chart illustrates the degree to which the primary activities of the City are funded through fees, charges, restricted revenue sharing programs, restricted grant funding, and other revenue initiatives. It is clear that very few City services would be possible without tax revenue. Highway and street services appear closest to self-supporting although the revenue in this sector is provided by state of Michigan Act 51 funding derived from fuel taxes. A decline in that revenue has been experienced in recent years, which is a matter of continuing concern over the long term.

Government-wide Program Operating Expenses and Revenues - Governmental Activities

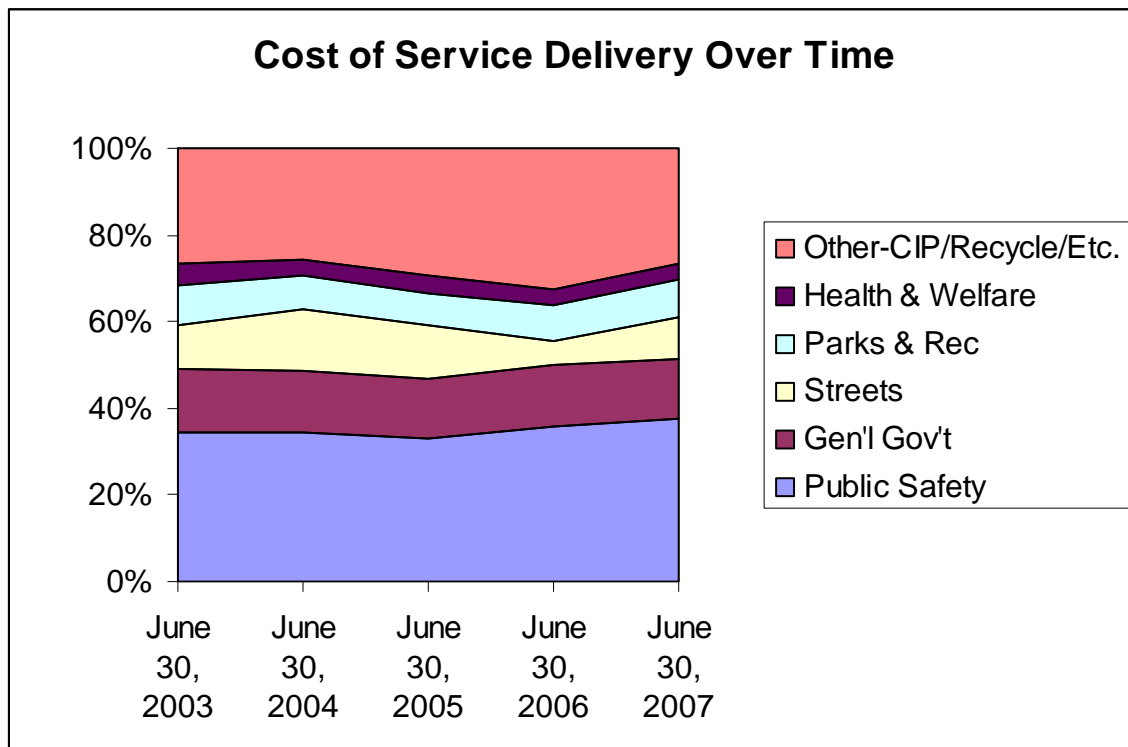


General revenues such as property taxes, fees and charges for services, and unrestricted grants and contributions are not shown by program, but are used to support program activities City-wide. For governmental activities, without regard to program, property taxes are the largest source of revenue, followed by restricted and unrestricted grant and contribution revenue, and charges for services.

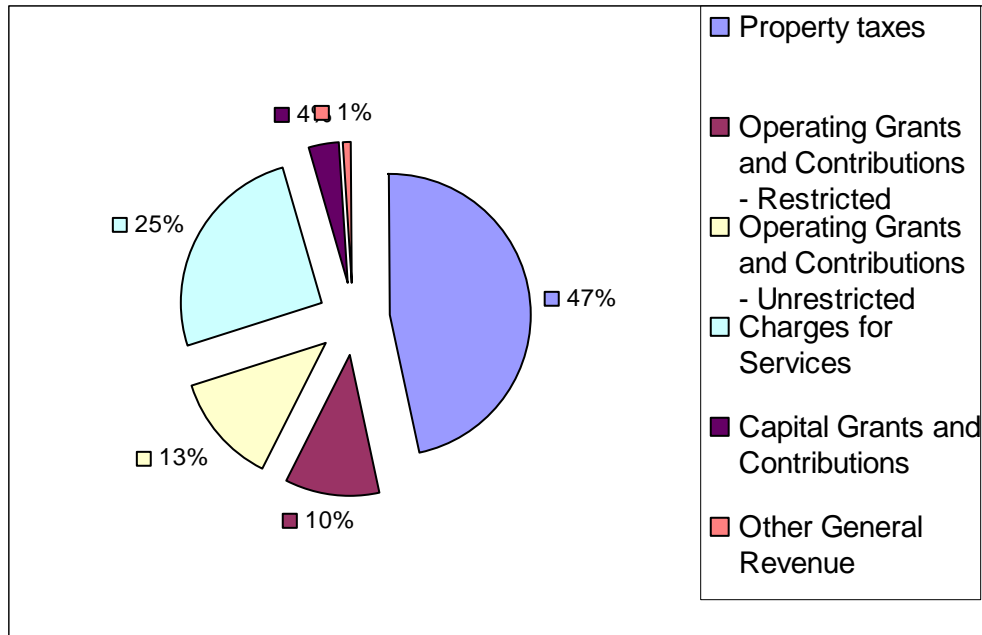
Governmental Activities
(in thousands)

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Public safety	\$14,967	\$14,383	\$13,879	\$13,294
General government	5,581	5,515	5,396	4,906
Highways and streets	3,945	2,327	471	(1,284)
Recreation and cultural	3,339	3,240	2,125	2,049
Health and welfare	1,535	1,560	(21)	(67)
All others	10,621	12,952	9,879	11,458
Total expenses	<u>\$39,988</u>	<u>\$39,977</u>	<u>\$31,729</u>	<u>\$30,356</u>

The governmental activities chart above factors in general revenues from property taxes, fees and charges for services. It compares cost and net cost from 2005/2006 to 2006/2007. Costs increased primarily as a result of contractual increases, continued emphasis on street and highway infrastructure expenditure to attract economic development, and the non-cash impact of recognizing depreciation expense. Continued reductions in all intergovernmental revenues, and the continuing decline in the availability and amounts of grant funding are also behind the increase in the net cost of services. Holding the level of the cost of services to prior year levels reflects action taken by City Administration to control variable costs, seek alternative funding sources, and develop long term plans for cyclical infrastructure rehabilitation. Note: negative net cost of service numbers indicate revenue in excess of costs. Negative highway and street net cost of services was the result of a timing difference in 2005/2006.



Government-wide Total Revenues by Source - Governmental Activities

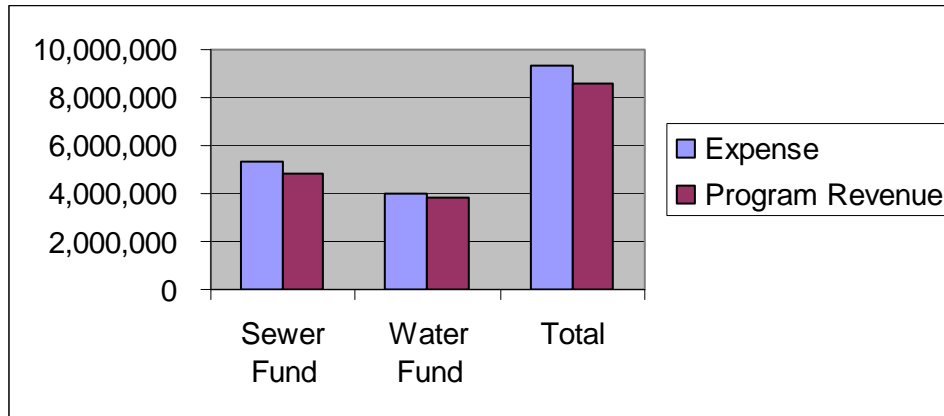


The above chart shows that each City revenue dollar in 2006/2007 consisted of 47% property tax, 10% restricted purpose/use grant funding, 13% unrestricted grant funding, 25% charges for services, 4% capital grants and contributions, and 1% various types of other revenue.

d. Program Revenues and Expenses -- Business-type Activities

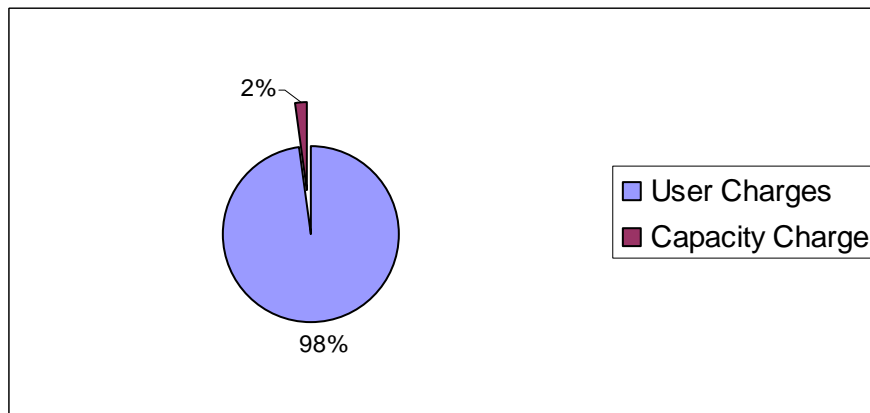
As shown in the following chart, combined operating expenditures exceeded combined operating revenues for the business-type activities. While leaving an adequate fund balance as directed by City Council, making use of fund balance rather than imposing widely varying and volatile rates for user fees was the strategic direction implemented by City Administration to continue operations, maintenance and improvement of the City utility systems.

Government-wide Operating Expenses and Program Revenues - Business-type Activities
(In dollars)



For business-type activities, charges for services provide the largest percentage of revenues (98%). Capacity charge revenue ("tap fees" \$193,146) was formerly treated as contributed capital for financial reporting purposes. While less than the prior year, the continued level of investment indicates continuing growth in utility infrastructure that will, in turn, produce additional recurring revenue in the form of utility billings. Annual production was down for the year, the impact of cyclical weather-based demand.

Government-wide Operating Revenue by Source - Business-type Activities



Financial Analysis of the Government's Fund Level Statements

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

a. Governmental funds

The City reports the following types of governmental funds: the general fund, special assessments fund, capital improvement fund, and permanent funds. The focus of the City's governmental funds is to provide information on the near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$2.8 million, while total fund balance was \$4.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.1% of total general fund expenditures (including transfers) of \$23 million, and total fund balance represents 18.6% of expenditures.

The fund balance in the general fund decreased by \$118,879 during the fiscal year. While conservative action has continued over several years to control operating costs in light of the continuing reductions in revenue from the state of Michigan and other intergovernmental sources, operations savings did not offset the reductions in investment earnings, revenue sharing, building permit and fee revenue for the year. Interest earnings were down due to the deferral of bond issuance until the end of the 2007 construction season. This choice utilized cash that would otherwise have been invested. Revenue sharing continues to be systematically reduced by economic conditions and by state actions. Property tax revenues increased by \$2 million over fiscal 2005/2006. The effects of the state economy and the market impact of the sub-prime mortgage crisis only begin to be a factor in the 2007/2008 fiscal year, while 2006/2007 reflects the slowing of development and construction by the 11% decline in building permit fees, and the 27% decline in planning, zoning and site plan fees. These declines foreshadow a slowing rate of tax base growth and the resulting tax revenue. The growth in tax revenues in 2006/2007 are not a result of tax rate increases, as the 2006/2007 combined tax rate is the same as in 2005/2006. The increase in tax revenue in 2006/2007 is a direct result of growth in tax base.

The fund balance of the special assessment fund decreased on the basis of debt service in excess of current inflows. This utilization of fund balance mitigates the timing differences between the receipt of advance payoffs of assessments and the bond payment schedule. On November 7, 2006, voters approved an amendment to the City Charter restricting the right of the City to levy special assessments for the construction or reconstruction of streets, and amended the City Charter to permanently levy up to one mill (one tenth of one percent of the assessed value of all real and personal property in the City) dedicated to the construction or reconstruction of streets under the City's jurisdiction. No new special assessments were entered into for street construction or reconstruction during the fiscal year ended June 30, 2007. The first tax levy for municipal street construction/reconstruction was assessed on July 1, 2007. As a result of these changes, the fund balance of the special assessment fund is expected to generally decline over time. Special assessments are still utilized for extension of water and sewer service to the few remaining districts of the City without them.

The capital improvement fund balance decreased by \$4,036,338 as the result of the completion of a number of capital projects in the City and their transition to capital assets placed in service. In the past, bonding for the cost of completed assets has been done within the fiscal year, however in 2006/2007 this was deferred until the end of the 2007 construction season. The result

is that the capital improvement funds' fund balance became negative as a result of the timing of bond issuance. The fund was not made whole for cash advanced to self-finance the construction phase of projects until after June 30, 2007. A deficit reduction plan as required by state law has been adopted, recognizing the timing difference in bonding. The fund balance will be restored in the 2007/2008 fiscal year.

The Major and Local Streets funds are displayed as major funds in the financial statements at the direction of the State of Michigan. Both Major and Local Streets showed modest increases in fund balance, of \$42,817 and \$170,293 respectively. Cost controls are in place, and ongoing analysis of operations is underway with a goal of making operating costs more closely mirror the level of state revenue provided while still maintaining the excellent service citizens have come to expect. With controls in place and process overview underway, actual combined expenditures increased by \$484,406 over 2005/2006 (12%), while state source revenues decreased by \$99,783 (3%). All savings are earmarked to fund upcoming street projects.

b. Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Overall billed revenue was down over the prior year. Operating expenses were reduced accordingly to preserve the net asset level.

- Sewer fund net assets decreased slightly by \$13,413. Revenues levels reflect actual production was down for the year driven by lower water usage. Expenditures for capital investment were lower than the prior year.
- Water fund net assets increased only slightly by \$8,817 as a result of increases in net capital assets. Revenues levels reflect actual production was down for the year, a function of both weather-based demand and process changes initiated by large customers to use less water.

c. Fiduciary funds

The City is the trustee, or *fiduciary*, for certain of its employee pension plans. It is also responsible for other assets that - because of trust arrangements - can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in the Supplemental Information section. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are only used for their intended purposes.

Other Information

a. General fund budgetary highlights

The final amended expenditure budget for the general fund was \$631,048 greater than the original budget. This increase was the result of encumbrances carried forward from previous budget year appropriations. The amended budget reflects the reallocation of resources within the fund during the year for cost controls initiated by the City Manager.

The amended revenue budget for the general fund was \$64,681 more than the original budget reflecting grants awarded, recreation fees, and tax related penalty income, offset by a reduction in expected police service fees. The general fund fell only \$53,731 short of achieving its revenue budget for the year; a variance of less than 1%.

b. Capital assets

The City's capital assets for governmental and business-type activities as of June 30, 2007, amount to \$190,259,616 (net of accumulated depreciation). Capital assets include land, buildings and improvements, equipment, vehicles, and infrastructure. The total increase in the City's capital assets, before depreciation, for the current fiscal year was \$7,284,272.

Capital asset balances are as follows:

**Capital Assets at Year-end
(net of depreciation, in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$ 8,591	\$ 7,965	\$ 317	\$ 218	\$ 8,908	\$ 8,183
Land improvements	3,227	3,495	37	45	3,264	3,540
Buildings	8,942	9,145	429	464	9,371	9,609
Machinery and equipment	658	910	148	205	806	1,115
Vehicles	1,808	2,220	-	-	1,808	2,220
Water / sewer system	-	-	92,165	91,332	92,165	91,332
Infrastructure	73,938	77,558	-	-	73,938	77,558
Totals	\$ 97,164	\$ 101,293	\$ 93,096	\$ 92,264	\$190,260	\$193,557

Major capital asset events during the current fiscal year included the following:

- Governmental capital assets being depreciated increased by \$3.9 million, \$3.5 million of which was due to street infrastructure asset additions.
- Business-type activities purchased or completed construction on depreciable capital assets of \$2.2 million, consisting of the replacement and extension of sewer and water lines, and well renovation costs.

More detailed information regarding capital assets can be found in Note 6 to the financial statements.

c. Debt Administration

At the end of the current fiscal year, the City reported \$94.7 million in outstanding bonded debt. Of this amount, \$73 million is general obligation debt backed by the full faith and credit of the City, \$21.7 million is revenue bonds, and other bonded debt requiring varying levels of guarantee. In addition, the City reported other long-term obligations of \$2.9 million. Additional information can be found in Note 8 to the financial statements.

**Outstanding Obligations at Year-end
(in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds (backed by the city)	\$ 67,117	\$ 70,611	\$ 5,878	\$ 6,399	\$ 72,995	\$ 77,010
Revenue Bonds (backed by specific revenues)	-	-	21,665	22,875	21,665	22,875
Totals	\$ 67,117	\$ 70,611	\$ 27,543	\$ 29,274	\$ 94,660	\$ 99,885

During fiscal year 2007, the City's total long-term obligations decreased by \$5.2 million, net of scheduled payments. The City issued some new debt, and the issues included:

- Bonded debt for government functions increased by \$785,000, and was used primarily for road, water and sewer improvements for: the Quality Way extension project, Gertrude and Lansing Streets, Bacon Avenue, Osterhout Avenue from Shrier Park to South Westnedge Avenue, and Stanley Avenue from Portage Road to Woodlawn.
- No bonded debt was issued for business-type functions in fiscal 2006/2007.

The City continues to maintain excellent credit ratings on debt issues. The City has maintained an AA rating from Standard and Poor's since November, 2003, at which time it was upgraded from AA-.

d. Economic Factors and Next Year's Budget and Rates

The City Manager and the City's elected officials considered many factors when setting the fiscal year 2006/2007 budget. Promising signs of growth have resulted from initiatives such as two new Walgreens stores completed during the year, the development of a Gordon Food store, and the construction and opening of several new restaurants in the Westnedge retail corridor. Employment has been relatively stable. In late 2002, the City began a savings plan to build reserves to weather future economic uncertainty. This initiative has continued and the savings are smoothing the City's negotiation of the continuing decline in state source revenues. The City has continued aggressive cost containment measures, with City departments identifying one-time and on-going cost savings on an annual basis. City management has continued to reduce costs through implementation of process improvements for greater efficiencies. The City continues to pursue an aggressive course of economic diversification and development, as well as an emphasis on maintaining and improving its infrastructure, as a means to grow tax base and not rely solely on cost cutting to weather rough economic times. As of the date of this audit report, the City is feeling the repercussions of a slowing economy, the impacts of the sub-prime mortgage crisis, and the housing construction decline. The allowable inflation cost adjustment factor for fiscal 2008/2009 tax calculations is the lowest it has been in the past five year at the very same time as paradoxically large increases in the costs of energy, goods and services are being experienced and forecast. When you factor in the business climate of the state of Michigan, a grim outlook would be expected. But the City of Portage has anticipated and prepared for this eventuality. The 2008/2009 budget currently under development expects to deliver the same level of service that citizens count on without layoffs or tax increases. An effective program of budget monitoring, and financial forecasting as inputs to real time decision-making is providing the basis necessary to plan, act and re-engineer how the City operates in order to continue to provide the best value in government for its citizens.

e. Requests for information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the finance department of the City of Portage, 7900 South Westnedge Avenue, Portage, Michigan 49002, or 269-329-4456, or on the web at <http://www.portagemi.gov>.

CITY OF PORTAGE, MICHIGAN
Statement of Net Assets
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Assets				
Cash and investments	\$ 13,744,090	\$ 1,819,121	\$ 15,563,211	\$ 19,293
Receivables, net	5,369,122	2,779,263	8,148,385	-
Prepaid items and other assets	674,043	321,763	995,806	-
Restricted assets:				
Permanently restricted:				
Cash	-	200,000	200,000	-
Land and rights of way	13,039,320	317,329	13,356,649	-
Capital assets, net of depreciation	84,124,204	92,778,763	176,902,967	-
Total assets	116,950,779	98,216,239	215,167,018	19,293
Liabilities				
Accounts payable and accrued expenses	7,422,680	624,587	8,047,267	-
Checks issued on future deposits	-	5,571,059	5,571,059	-
Unearned revenue	1,028,934	114,805	1,143,739	-
Long-term liabilities:				
Due within one year	5,754,104	1,889,351	7,643,455	-
Due in more than one year	64,129,694	25,770,323	89,900,017	-
Total liabilities	78,335,412	33,970,125	112,305,537	-
Net assets				
Invested in capital assets, net of related debt	30,046,879	65,552,734	95,599,613	-
Restricted for:				
Debt service	5,580,104	200,000	5,780,104	-
Nonexpendable	795,127	-	795,127	-
Unrestricted	2,193,257	(1,506,620)	686,637	19,293
Total net assets	\$ 38,615,367	\$ 64,246,114	\$ 102,861,481	\$ 19,293

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN
Statement of Activities
Fiscal Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Economic Dev. Corp.
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities:								
Legislative	\$ 49,220	\$ -	\$ -	\$ -	\$ (49,220)	\$ -	\$ (49,220)	\$ -
Judicial	24,926	21,750	-	-	(3,176)	-	(3,176)	-
General government	5,580,533	151,391	33,176	-	(5,395,966)	-	(5,395,966)	-
Public safety	14,966,601	966,498	120,742	-	(13,879,361)	-	(13,879,361)	-
Public works	439,648	-	114,965	285,008	(39,675)	-	(39,675)	-
Health and welfare	1,535,227	57,275	260,314	1,239,063	21,425	-	21,425	-
Economic development	-	-	42,819	-	42,819	-	42,819	-
Recreation and cultural	3,339,454	898,218	311,040	5,397	(2,124,799)	-	(2,124,799)	-
Public transportation	58,331	-	-	-	(58,331)	-	(58,331)	-
Highways and streets	3,945,091	-	3,473,924	-	(471,167)	-	(471,167)	-
Unallocated depreciation expense	7,103,192	-	-	-	(7,103,192)	-	(7,103,192)	-
Interest on long-term debt	2,946,460	265,268	13,213	-	(2,667,979)	-	(2,667,979)	-
Total governmental activities	39,988,683	2,360,400	4,370,193	1,529,468	(31,728,622)	-	(31,728,622)	-
Business-type activities:								
Sewer	5,351,009	4,738,933	63,953	-	-	(548,123)	(548,123)	-
Water	4,003,971	3,813,159	6,146	-	-	(184,666)	(184,666)	-
Total business-type activities	9,354,980	8,552,092	70,099	-	-	(732,789)	(732,789)	-
Total primary government	49,343,663	10,912,492	4,440,292	1,529,468	(31,728,622)	(732,789)	(32,461,411)	-
Component unit								
Economic Development Corporation	-	-	968	-	-	-	-	968
Total component units	\$ -	\$ -	\$ 968	\$ -	-	-	-	968
General revenues:								
Property taxes					20,041,558	-	20,041,558	-
Grants and contributions not restricted to specific programs					5,443,057	117,413	5,560,470	-
Unrestricted investment earnings					387,878	-	387,878	-
Gain on sale of capital assets					1,346,705	-	1,346,705	-
Transfers					(610,780)	610,780	-	-
Total general revenues and transfers					26,608,418	728,193	27,336,611	-
Change in net assets					(5,120,204)	(4,596)	(5,124,800)	968
Net assets - beginning					43,735,571	64,250,710	107,986,281	18,325
Net assets - ending					\$ 38,615,367	\$ 64,246,114	\$ 102,861,481	\$ 19,293

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN

**Balance Sheet
Governmental Funds
June 30, 2007**

	General Fund	Special Assessments Fund	Capital Projects Fund	Major Streets Fund	Local Streets Fund	C.D.B.G. Program Income Fund	Nonmajor Governmental Funds	Total
ASSETS								
Cash and investments	\$ 4,680,805	\$ 4,011,178	\$ -	\$ 204,225	\$ 430,986	\$ 8,043	\$ 3,558,937	\$ 12,894,174
Accounts receivable	86,559	-	-	-	409	1,009,926	383,772	1,480,666
Delinquent taxes receivable	31,120	-	-	-	-	-	-	31,120
Accrued interest receivable	-	-	-	-	-	-	-	-
Special assessments receivable	-	3,227,092	-	-	-	-	-	3,227,092
Due from other governments	-	-	-	423,956	128,881	-	77,407	630,244
Prepaid costs	476,206	-	-	17,765	13,233	-	20,596	527,800
Total assets	<u>\$ 5,274,690</u>	<u>\$ 7,238,270</u>	<u>\$ -</u>	<u>\$ 645,946</u>	<u>\$ 573,509</u>	<u>\$ 1,017,969</u>	<u>\$ 4,040,712</u>	<u>\$ 18,791,096</u>
LIABILITIES								
Accounts payable	\$ 217,260	\$ 22,534	\$ 1,136,319	\$ 18,428	\$ 11,898	\$ 1,384	\$ 205,734	\$ 1,613,557
Checks issued against future deposits	-	-	6,943	-	-	-	240,323	247,266
Accrued compensation	498,190	-	-	20,812	17,104	-	15,270	551,376
Interest payable	-	-	-	-	-	-	8,011	8,011
Deferred revenue	3,000	3,227,092	-	-	-	1,009,927	16,007	4,256,026
Deposits payable	261,183	-	38,806	-	-	-	25,000	324,989
Bond anticipation note	-	-	1,055,000	-	-	-	-	1,055,000
Total liabilities	<u>979,633</u>	<u>3,249,626</u>	<u>2,237,068</u>	<u>39,240</u>	<u>29,002</u>	<u>1,011,311</u>	<u>510,345</u>	<u>8,056,225</u>
FUND BALANCE								
Reserved for encumbrances	989,811	-	-	167,727	9,150	-	139,378	1,306,066
Reserved for prepaid costs	476,206	-	-	17,765	13,233	-	20,596	527,800
Reserved for imprest cash funds	4,300	-	-	-	-	-	-	4,300
Reserved for emergency preparedness	1,000	-	-	-	-	-	-	1,000
Reserved for public safety training	42,004	-	-	-	-	-	-	42,004
Reserved for uncompleted projects	-	-	-	-	-	-	137,945	137,945
Reserved for debt service	-	-	-	-	-	-	2,181,227	2,181,227
Reserved for cemetery maintenance	-	-	-	-	-	-	795,127	795,127
Reserved for loans	-	-	-	-	-	6,658	-	6,658
Unreserved and undesignated, reported in:								
General fund	2,781,736	-	-	-	-	-	-	2,781,736
Capital projects	-	-	(2,237,068)	-	-	-	-	(2,237,068)
Debt service funds	-	3,988,644	-	-	-	-	-	3,988,644
Special revenue funds	-	-	-	421,214	522,124	-	256,094	1,199,432
Total fund balance	<u>4,295,057</u>	<u>3,988,644</u>	<u>(2,237,068)</u>	<u>606,706</u>	<u>544,507</u>	<u>6,658</u>	<u>3,530,367</u>	<u>10,734,871</u>
Total liabilities and fund balance	<u>\$ 5,274,690</u>	<u>\$ 7,238,270</u>	<u>\$ -</u>	<u>\$ 645,946</u>	<u>\$ 573,509</u>	<u>\$ 1,017,969</u>	<u>\$ 4,040,712</u>	<u>\$ 18,791,096</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
June 30, 2007

Fund balances - total governmental funds	\$ 10,734,871
--	---------------

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets	223,042,901
Subtract: accumulated depreciation	(127,680,106)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred special assessments	3,227,092
-----------------------------------	-----------

Internal service funds are used by management to charge the costs of insurance and equipment to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	642,309
--	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable, net of internal service fund debt	(65,651,223)
Subtract: compensated absences and other long-term liabilities, net of internal service fund compensated absences	(2,730,067)
Subtract: accrued interest on long-term liabilities	<u>(2,970,410)</u>

Net assets of governmental activities	<u><u>\$ 38,615,367</u></u>
---------------------------------------	-----------------------------

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

Fiscal Year Ended June 30, 2007

	General Fund	Special Assessments Fund	Capital Projects Fund	Major Streets Fund	Local Streets Fund	C.D.B.G. Program Income Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:								
Taxes and special assessments	\$ 15,415,997	\$ 559,730	\$ 3,845,406	\$ -	\$ -	\$ -	\$ 2,024,615	\$ 21,845,748
Licenses and permits	612,095	-	-	-	-	-	557,410	1,169,505
Intergovernmental	4,041,635	-	5,000	2,681,023	776,353	-	268,175	7,772,186
Charges for services	2,055,644	-	-	-	-	56,338	113,815	2,225,797
Fines and forfeitures	-	-	-	-	-	-	-	-
Interest and rents	541,369	213,458	24,022	9,958	6,040	-	363,564	1,158,411
Other	261,878	-	1,318,833	81	469	-	102,167	1,683,428
Total revenues	<u>22,928,618</u>	<u>773,188</u>	<u>5,193,261</u>	<u>2,691,062</u>	<u>782,862</u>	<u>56,338</u>	<u>3,429,746</u>	<u>35,855,075</u>
EXPENDITURES:								
Current:								
Legislative	49,220	-	-	-	-	-	-	49,220
Judicial	24,926	-	-	-	-	-	-	24,926
General government	5,054,459	-	-	-	-	-	42,919	5,097,378
Public safety	14,190,759	-	-	-	-	-	56,322	14,247,081
Public works	371,850	-	-	-	-	-	-	371,850
Health and welfare	143,652	-	-	-	-	56,339	1,351,115	1,551,106
Recreation and cultural	2,318,228	-	-	-	-	-	656,134	2,974,362
Public transportation	61,403	-	-	-	-	-	-	61,403
Highways and streets	-	-	-	2,088,245	1,212,569	-	-	3,300,814
Capital outlay	-	-	5,605,119	-	-	-	-	5,605,119
Debt service:								
Principal	-	920,000	-	-	-	-	2,971,877	3,891,877
Interest and fiscal charges	-	304,048	-	-	-	-	2,736,037	3,040,085
Total expenditures	<u>22,214,497</u>	<u>1,224,048</u>	<u>5,605,119</u>	<u>2,088,245</u>	<u>1,212,569</u>	<u>56,339</u>	<u>7,814,404</u>	<u>40,215,221</u>
Excess (deficiency) of revenues over (under) expenditures	<u>714,121</u>	<u>(450,860)</u>	<u>(411,858)</u>	<u>602,817</u>	<u>(429,707)</u>	<u>(1)</u>	<u>(4,384,658)</u>	<u>(4,360,146)</u>
OTHER FINANCING SOURCES (USES):								
Issuance of debt	-	-	785,000	-	-	-	-	785,000
Discount on debt issuance	-	-	(15,700)	-	-	-	-	(15,700)
Transfers in	202,000	-	1,117,600	610,000	620,000	-	4,798,006	7,347,606
Transfers out	<u>(1,035,000)</u>	<u>-</u>	<u>(5,511,380)</u>	<u>(1,170,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>(222,006)</u>	<u>(7,958,386)</u>
Net other financing sources (uses)	<u>(833,000)</u>	<u>-</u>	<u>(3,624,480)</u>	<u>(560,000)</u>	<u>600,000</u>	<u>-</u>	<u>4,576,000</u>	<u>158,520</u>
Net change in fund balances	(118,879)	(450,860)	(4,036,338)	42,817	170,293	(1)	191,342	(4,201,626)
Fund balances - beginning	<u>4,413,936</u>	<u>4,439,504</u>	<u>1,799,270</u>	<u>563,889</u>	<u>374,214</u>	<u>6,659</u>	<u>3,339,025</u>	<u>14,936,497</u>
Fund balances - ending	<u>\$ 4,295,057</u>	<u>\$ 3,988,644</u>	<u>\$ (2,237,068)</u>	<u>\$ 606,706</u>	<u>\$ 544,507</u>	<u>\$ 6,658</u>	<u>\$ 3,530,367</u>	<u>\$ 10,734,871</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ (4,201,626)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	4,648,075
Subtract: depreciation expense	(8,667,033)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	3,891,877
Subtract: change in Special Assessments deferred revenue	(373,215)
Subtract: issuance of debt	(785,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: prior year accrued interest on bonds	3,133,855
Subtract: current year accrued interest on bonds	(2,970,410)
Add: decrease in the accrual of compensated absences	182,147

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Add: interest revenue from governmental internal service funds	22,609
Subtract: interest expense from governmental internal service funds	(69,823)
Add: net operating income from governmental activities accounted for in internal service funds	68,340

Change in net assets of governmental activities	\$ (5,120,204)
---	----------------

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Fiscal Year Ended June 30, 2007

REVENUES:	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
Taxes:				
Property tax collections	\$ 14,213,100	\$ 14,213,100	\$ 14,439,140	\$ 226,040
Penalty and interest	60,000	81,903	128,794	46,891
Administration fees	820,000	820,000	848,063	28,063
Licenses and permits:				
Building fees and permits	660,500	660,500	587,359	(73,141)
Liquor licenses	24,000	24,000	24,736	736
Federal grants	-	36,270	-	(36,270)
State Grants:				
Revenue sharing	4,006,000	4,006,000	3,898,206	(107,794)
Criminal justice grants	10,000	50,000	74,713	24,713
Parks grants	2,500	2,500	2,500	-
Senior Center grants	59,880	59,880	34,694	(25,186)
Other state grants	200	200	-	(200)
Contribution from local units	29,470	29,470	31,522	2,052
Charges for services:				
Recreation fees	208,900	210,900	226,673	15,773
Police service fees	213,200	173,200	165,478	(7,722)
Planning, zoning and site fees	86,000	86,000	62,577	(23,423)
Accounting and management	1,528,530	1,528,530	1,528,530	-
Cemetery	54,000	54,000	50,129	(3,871)
Court Cost Reimbursement	32,000	32,000	21,750	(10,250)
Senior Center	1,000	1,000	5	(995)
Other	1,500	1,500	502	(998)
Fines and forfeits	5,000	5,000	-	(5,000)
Interest and rents:				
Interest on investments	500,000	500,000	341,247	(158,753)
Rental income	154,500	154,500	200,122	45,622
Other:				
Reimbursements:				
Senior Center	153,700	153,700	147,577	(6,123)
Other reimbursements	5,800	5,800	5,647	(153)
Property sales	38,713	38,713	31,910	(6,803)
Donations	19,000	19,000	15,000	(4,000)
Miscellaneous	30,175	34,683	61,744	27,061
 Total revenues	 22,917,668	 22,982,349	 22,928,618	 (53,731)

continued...

CITY OF PORTAGE, MICHIGAN

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (continued) Fiscal Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
EXPENDITURES:				
Judicial:				
District Court	\$ 23,000	\$ 27,855	\$ 24,926	\$ 2,929
Legislative:				
City Council	49,600	51,614	49,220	2,394
General Government:				
City Manager	660,268	761,813	738,202	23,611
Finance:				
Accounting	355,560	275,069	274,377	692
Financial management	350,954	333,092	322,175	10,917
Treasury	203,092	203,092	194,293	8,799
City assessor:				
Assessor	600,669	572,333	510,984	61,349
Board of review	27,195	27,195	25,147	2,048
City attorney	196,882	196,882	195,397	1,485
City clerk:				
Elections	164,730	173,064	141,080	31,984
City clerk	157,360	171,268	152,867	18,401
Records management	61,444	64,310	51,133	13,177
Human resources:				
Employee development	517,236	533,469	464,754	68,715
Benefit services	392,590	418,389	370,924	47,465
Information services:				
Management information services	811,400	817,388	669,243	148,145
Communication services	(4,650)	4,446	(469)	4,915
Purchasing:				
Purchasing	199,747	227,904	213,013	14,891
Risk management	43,817	47,409	49,362	(1,953)
Buildings	546,023	645,660	582,614	63,046
Cemeteries	106,892	109,866	99,363	10,503
Public safety:				
Police:				
Administration	747,992	831,218	758,512	72,706
Youth services	671,644	681,013	687,044	(6,031)
Investigation	542,301	526,435	520,688	5,747
Patrol	4,987,500	5,150,213	4,842,791	307,422
Training	168,803	161,553	156,745	4,808
Central communications	1,009,180	1,043,380	1,024,192	19,188
911 Call Center	67,762	67,762	71,572	(3,810)
Records	531,792	550,243	550,306	(63)
Drug law enforcement	195,725	198,407	189,013	9,394
Fire:				
Administration	630,827	668,067	588,170	79,897
Operations	3,521,301	3,551,009	3,360,203	190,806
On-call	106,148	106,720	110,470	(3,750)
Emergency operations	3,180	3,655	2,132	1,523
Fire marshal	106,167	106,188	101,348	4,840
Training	121,402	126,963	121,861	5,102

continued...

CITY OF PORTAGE, MICHIGAN

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (continued) Fiscal Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
EXPENDITURES (continued):				
Community development:				
Building services	\$ 577,790	\$ 586,857	\$ 574,413	\$ 12,444
Planning/community development	285,666	292,015	271,694	20,321
Neighborhood services	272,511	272,867	259,605	13,262
Public works:				
Street lighting	432,000	409,010	371,850	37,160
Health and welfare:				
Human services	142,362	162,902	143,652	19,250
Recreation and cultural:				
Senior citizen center	445,517	458,195	412,460	45,735
Recreation	281,541	289,857	289,287	570
Parks	1,618,094	1,670,415	1,616,481	53,934
Transportation subsidies	125,876	110,876	61,403	49,473
Total expenditures	<u>23,056,890</u>	<u>23,687,938</u>	<u>22,214,497</u>	<u>1,473,441</u>
Excess of revenues over expenditures	<u>(139,222)</u>	<u>(705,589)</u>	<u>714,121</u>	<u>1,419,710</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Leaf Pickup/Spring Cleanup Fund	50,000	50,000	50,000	-
Cable TV Fund	130,000	130,000	130,000	-
Cemetery Permanent Fund	22,000	22,000	22,000	-
Transfers out:				
Major Street Fund	(610,000)	(610,000)	(610,000)	-
Local Street Fund	<u>(420,000)</u>	<u>(425,000)</u>	<u>(425,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(828,000)</u>	<u>(833,000)</u>	<u>(833,000)</u>	<u>-</u>
Net change in fund balance	<u>(967,222)</u>	<u>(1,538,589)</u>	<u>(118,879)</u>	<u>1,419,710</u>
Fund balance - beginning	<u>4,413,936</u>	<u>4,413,936</u>	<u>4,413,936</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,446,714</u>	<u>\$ 2,875,347</u>	<u>\$ 4,295,057</u>	<u>\$ 1,419,710</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Major Streets Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUES				
Intergovernmental:				
State grants	\$ 2,747,800	\$ 2,747,800	\$ 2,681,023	\$ (66,777)
Interest on investments	18,000	18,000	9,958	(8,042)
Other	-	-	81	81
Total revenues	<u>2,765,800</u>	<u>2,765,800</u>	<u>2,691,062</u>	<u>(74,738)</u>
EXPENDITURES				
Highways and streets:				
Routine maintenance	789,944	1,090,118	910,848	179,270
Traffic services	559,655	617,653	547,007	70,646
Winter maintenance	428,037	428,037	466,227	(38,190)
Administration	<u>187,282</u>	<u>188,148</u>	<u>164,163</u>	<u>23,985</u>
Total expenditures	<u>1,964,918</u>	<u>2,323,956</u>	<u>2,088,245</u>	<u>235,711</u>
Excess (deficiency) of revenues over expenditures	<u>800,882</u>	<u>441,844</u>	<u>602,817</u>	<u>160,973</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	610,000	610,000	610,000	-
Transfers out:				
Local Street Fund	(200,000)	(200,000)	(200,000)	-
Sewer Fund	(20,000)	(20,000)	(20,000)	-
Capital Improvement Funds	<u>(950,000)</u>	<u>(950,000)</u>	<u>(950,000)</u>	<u>-</u>
Net other financing sources (uses)	<u>(560,000)</u>	<u>(560,000)</u>	<u>(560,000)</u>	<u>-</u>
Net change in fund balances	240,882	(118,156)	42,817	160,973
Fund balances - beginning	<u>563,889</u>	<u>563,889</u>	<u>563,889</u>	<u>-</u>
Fund balances - ending	<u>\$ 804,771</u>	<u>\$ 445,733</u>	<u>\$ 606,706</u>	<u>\$ 160,973</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Local Streets Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUES				
Intergovernmental:				
State grants	\$ 784,700	\$ 784,700	\$ 776,353	\$ (8,347)
Interest on investments	2,500	2,500	6,040	3,540
Other revenue	-	-	469	469
Total revenues	<u>787,200</u>	<u>787,200</u>	<u>782,862</u>	<u>(4,338)</u>
EXPENDITURES				
Highways and streets:				
Routine maintenance	806,165	808,354	607,953	200,401
Traffic services	71,625	71,625	56,522	15,103
Winter maintenance	426,637	426,637	407,429	19,208
Administration	<u>167,612</u>	<u>170,113</u>	<u>140,665</u>	<u>29,448</u>
Total expenditures	<u>1,472,039</u>	<u>1,476,729</u>	<u>1,212,569</u>	<u>264,160</u>
Excess (deficiency) of revenues over expenditures	<u>(684,839)</u>	<u>(689,529)</u>	<u>(429,707)</u>	<u>259,822</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	420,000	420,000	420,000	-
Major Street Fund	200,000	200,000	200,000	-
Transfers out:				
Sewer Operating Fund	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net other financing sources (uses)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
Net change in fund balances	(84,839)	(89,529)	170,293	259,822
Fund balances - beginning	<u>374,214</u>	<u>374,214</u>	<u>374,214</u>	<u>-</u>
Fund balances - ending	<u>\$ 289,375</u>	<u>\$ 284,685</u>	<u>\$ 544,507</u>	<u>\$ 259,822</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Statement of Net Assets Proprietary Funds

June 30, 2007

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 1,819,121	\$ -	\$ 1,819,121	\$ 1,097,182
Restricted cash and investments:				
Revenue bonds	100,000	100,000	200,000	-
Accounts receivable	1,292,090	1,209,261	2,501,351	-
Inventory	-	-	-	87,453
Prepaid costs	83,528	238,235	321,763	58,790
Current portion of hookup: charges receivable	26,981	14,207	41,188	-
Total current assets	<u>3,321,720</u>	<u>1,561,703</u>	<u>4,883,423</u>	<u>1,243,425</u>
Noncurrent assets:				
Hook-up charges receivable (net of current portion)	141,648	95,076	236,724	-
Total other assets	<u>141,648</u>	<u>95,076</u>	<u>236,724</u>	<u>-</u>
Capital assets:				
Land	51,495	265,834	317,329	22,489
Land improvements	-	90,517	90,517	123,769
Buildings	690,470	399,031	1,089,501	1,737,939
Utility system	67,552,601	51,137,449	118,690,050	-
Machinery and equipment	705,022	457,055	1,162,077	972,566
Vehicles	-	-	-	3,840,041
Less accumulated depreciation	<u>(18,812,405)</u>	<u>(9,440,977)</u>	<u>(28,253,382)</u>	<u>(4,896,074)</u>
Total capital assets (net of accumulated depreciation)	<u>50,187,183</u>	<u>42,908,909</u>	<u>93,096,092</u>	<u>1,800,730</u>
Total noncurrent assets	<u>50,328,831</u>	<u>43,003,985</u>	<u>93,332,816</u>	<u>1,800,730</u>
Total assets	<u>53,650,551</u>	<u>44,565,688</u>	<u>98,216,239</u>	<u>3,044,155</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN

Statement of Net Assets Proprietary Funds (continued) June 30, 2007

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 312,959	\$ 150,091	\$ 463,050	\$ 19,464
Accrued compensation	11,858	13,192	25,050	10,093
Checks issued on future deposits	-	5,571,059	5,571,059	-
Workers' compensation	-	-	-	854,687
Accrued interest payable	30,200	106,287	136,487	15,096
Deferred revenue	111,592	3,213	114,805	-
Current portion of long term debt	512,823	1,376,528	1,889,351	402,073
Total current liabilities	<u>979,432</u>	<u>7,220,370</u>	<u>8,199,802</u>	<u>1,301,413</u>
Long term debt:				
Revenue bonds (net of current portion)	2,011,190	12,308,810	14,320,000	-
Limited tax general obligation bonds (net of current portion)	3,336,580	7,998,491	11,335,071	-
Notes payable-net of current portion	-	-	-	72,072
Capitalized lease (net of current portion)	-	-	-	991,277
Accrued vacation and sick pay	56,238	59,014	115,252	37,084
Total long term debt	<u>5,404,008</u>	<u>20,366,315</u>	<u>25,770,323</u>	<u>1,100,433</u>
Total liabilities	<u>6,383,440</u>	<u>27,586,685</u>	<u>33,970,125</u>	<u>2,401,846</u>
NET ASSETS				
Invested in capital assets, net of related debt	44,270,352	21,166,066	65,436,418	335,308
Restricted:				
Restricted for revenue bond indentures	100,000	100,000	200,000	-
Unrestricted	<u>2,896,759</u>	<u>(4,287,063)</u>	<u>(1,390,304)</u>	<u>307,001</u>
Total net assets	<u>\$ 47,267,111</u>	<u>\$ 16,979,003</u>	<u>\$ 64,246,114</u>	<u>\$ 642,309</u>

CITY OF PORTAGE, MICHIGAN

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds

Fiscal Year Ended June 30, 2007

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Operating revenues:				
Charges for services:				
User charges	\$ 4,545,787	\$ 3,760,800	\$ 8,306,587	\$ 2,117,701
Capacity charge	193,146	-	193,146	-
Other	99,400	19,366	118,766	26,220
Total operating revenues	<u>4,838,333</u>	<u>3,780,166</u>	<u>8,618,499</u>	<u>2,143,921</u>
Operating expenses:				
Operations and maintenance	3,239,959	966,711	4,206,670	1,674,651
General and administrative	1,095,054	1,449,824	2,544,878	-
Depreciation	758,287	673,161	1,431,448	400,930
Total operating expenses	<u>5,093,300</u>	<u>3,089,696</u>	<u>8,182,996</u>	<u>2,075,581</u>
Operating income (loss)	<u>(254,967)</u>	<u>690,470</u>	<u>435,503</u>	<u>68,340</u>
Nonoperating revenues (expenses):				
State grant revenue	-	51,006	51,006	-
Interest on investments	63,953	6,146	70,099	22,609
Interest and fiscal charges	(257,709)	(914,275)	(1,171,984)	(69,823)
Total nonoperating revenue (expenses)	<u>(193,756)</u>	<u>(857,123)</u>	<u>(1,050,879)</u>	<u>(47,214)</u>
Income (loss) before contributions and transfers	(448,723)	(166,653)	(615,376)	21,126
Transfers in	435,310	175,470	610,780	-
Change in net assets	(13,413)	8,817	(4,596)	21,126
Total net assets - beginning	<u>47,280,524</u>	<u>16,970,186</u>	<u>64,250,710</u>	<u>621,183</u>
Total net assets - ending	<u>\$ 47,267,111</u>	<u>\$ 16,979,003</u>	<u>\$ 64,246,114</u>	<u>\$ 642,309</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN

Statement of Cash Flows Proprietary Funds

Fiscal Year Ended June 30, 2007

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
OPERATING ACTIVITIES:				
Cash received from customers	\$ 4,853,956	\$ 3,641,972	\$ 8,495,928	\$ 2,143,921
Cash payments to suppliers	(3,827,771)	103,450	(3,724,321)	(1,140,212)
Cash payments to employees for services	(386,989)	(446,699)	(833,688)	(379,021)
Cash provided by operating activities	<u>639,196</u>	<u>3,298,723</u>	<u>3,937,919</u>	<u>624,688</u>
NONCAPITAL FINANCING ACTIVITIES:				
Transfer from other funds	435,310	175,470	610,780	-
Cash provided by capital and related financing activities	<u>435,310</u>	<u>175,470</u>	<u>610,780</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital grants	-	51,006	51,006	-
Acquisition and construction of capital assets	(929,711)	(1,334,074)	(2,263,785)	(289,812)
Principal paid on bonds, notes and capital lease	(483,113)	(1,274,652)	(1,757,765)	(387,325)
Interest and fiscal charges paid on bonds	<u>(261,240)</u>	<u>(922,619)</u>	<u>(1,183,859)</u>	<u>(73,725)</u>
Cash (used) in capital and related financing activities	<u>(1,674,064)</u>	<u>(3,480,339)</u>	<u>(5,154,403)</u>	<u>(750,862)</u>
INVESTING ACTIVITIES:				
Interest on investments	63,953	6,146	70,099	22,609
Cash provided by investing activities	<u>63,953</u>	<u>6,146</u>	<u>70,099</u>	<u>22,609</u>
Net increase (decrease) in cash and cash equivalents	(535,605)	-	(535,605)	(103,565)
Cash and investments - beginning of year	2,454,726	100,000	2,554,726	1,200,747
Cash and investments - end of year	<u>\$ 1,919,121</u>	<u>\$ 100,000</u>	<u>\$ 2,019,121</u>	<u>\$ 1,097,182</u>
Reconciliation of operating income to cash provided by operating activities:				
Operating income (loss)	\$ (254,967)	\$ 690,470	\$ 435,503	\$ 68,340
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	758,287	673,161	1,431,448	400,930
Decrease in accounts receivable	13,371	(139,801)	(126,430)	-
(Increase) in inventory	-	-	-	(4,473)
(Increase) in prepaid costs	16,453	45,516	61,969	11,339
Increase (decrease) in accounts payable	68,724	(16,822)	51,902	8,404
Increase in checks issued against future deposits	-	2,007,529	2,007,529	-
(Decrease) in deferred revenue	2,252	1,607	3,859	-
Increase (decrease) in accrued compensation	35,076	37,063	72,139	140,148
Cash provided by operating activities	<u>\$ 639,196</u>	<u>\$ 3,298,723</u>	<u>\$ 3,937,919</u>	<u>\$ 624,688</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN

Statement of Fiduciary Net Assets Fiduciary Funds

June 30, 2007

<u>ASSETS</u>	Pension and Employee Benefit Trust Funds	Agency Funds
Cash and investments	\$ 7,095	\$ 287,663
Cash and investments - non-pooled	2,545,911	
Investments in fixed income securities	3,357,900	-
Accounts receivable	-	290,621
Accrued interest receivable	-	116,345
Total assets	<u>5,910,906</u>	<u>694,629</u>
 <u>LIABILITIES</u>		
Accounts payable	-	1,570
Checks issued against future deposits	-	253,654
Payroll withholdings payable	-	1,693
Accrued interest payable	-	115,311
Due to other governments	-	274,919
Deposits	-	47,482
Total liabilities	<u>-</u>	<u>694,629</u>
 <u>NET ASSETS</u>		
Assets held in trust for pension benefits	3,357,900	-
Assets held in trust for retiree benefits	2,553,006	-
Total net assets	<u>\$ 5,910,906</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statements.

CITY OF PORTAGE, MICHIGAN

Statement of Changes in Fiduciary Net Assets Pension Trust Funds

Fiscal Year Ended June 30, 2007

	Pension and Employee Benefit Trust Funds
ADDITIONS	
Employer contributions	<u>\$ 459,853</u>
Investment income	
Net increase in the fair value of investments	12,633
Interest income	<u>517,875</u>
Net investment income	<u>530,508</u>
Total additions	990,361
DEDUCTIONS	
Benefits to plan members	(207,347)
Administrative expenses	<u>(6,625)</u>
Total deductions	<u>(213,972)</u>
Change in net assets	776,389
Net assets - beginning	<u>5,134,517</u>
Net assets - ending	<u><u>\$ 5,910,906</u></u>

The notes to the financial statements are an integral part of this statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Portage was incorporated December 31, 1963, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government, and provides services as authorized by its charter. The City Council is composed of a Mayor and six Councilmembers. The Mayor is elected for a two-year term, and the Councilmembers are elected at large for four-year staggered terms without term limits.

The City engages in a comprehensive range of municipal services including public safety, streets and highways, parks and facility management, and general administrative services. In addition, the City owns and contracts the operation of certain major enterprise activities including water and wastewater utilities. These activities are included in the accompanying financial activities.

The Charter of the City of Portage requires an annual audit by an independent certified public accountant. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

As a local government, the City is exempt from federal income taxes under Internal Revenue Code Sections 115 and 501(a), and from state sales tax.

A. Reporting Entity

As required by generally accepted accounting principles (GAAP), these financial statements present the City (the Primary Government) and its component units, entities for which the City is considered to be financially accountable. The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

Blended Component Units:

Building Authority - The Building Authority was established by the City on May 2, 1969 under the authority contained in Act 31, Michigan Public Acts of 1948, as amended in 1969 and 1984. The Act authorized the City to incorporate an authority for the purpose or purposes as follows: to build, acquire, furnish, equip, own, improve, enlarge, lease, operate, and maintain a building or buildings, automobile parking lots or structures, recreational facilities, stadiums and the necessary site or sites therefore, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, for use for any legitimate public purpose of the City of Portage. The governing body of the Authority is known as the "Commission" and consists of the City Manager, City Finance Director and the Chairperson of the Board of the Local Development Finance Authority for the City of Portage. The Building Authority is a blended component unit because, although the governing bodies of the City and the Authority are not similar, the services and benefits provided to entities other than the City are insignificant. That mandates treatment as a blended component unit under GAAP.

Downtown Development Authority - The Downtown Development Authority was established by the City on April 21, 1998 under the authority contained in Act No. 197 of the Public Acts of Michigan of 1975 as amended. The act authorizes the City to provide for the creation of the authority; to define the boundaries of the downtown development district; to correct and prevent deterioration in the central business district; and to authorize the issuance of bonds and other evidences of indebtedness. The taxes collected on the

Note 1 Summary of Significant Accounting Policies, continued

increased taxable value resulting from Downtown Development Authority provided improvements are used to pay debt service. The Downtown Development Authority Board is comprised of the City Manager and eight citizen members appointed by the City Manager, subject to approval by the City Council. The Downtown Development Authority is a blended component unit because, although the governing bodies of the City and the Authority are not similar, the services and benefits provided to entities other than the City are insignificant.

Local Development Finance Authority - The Authority was established by the City on March 20, 1990, under the authority contained in Act 281 of Michigan Public Acts of 1986. The Act authorized the City to designate a specific district within its corporate limits as a Local Development Finance District. The Authority was appointed to promote the growth of specific, legally defined districts and take all steps necessary to create jobs and promote economic growth. The City Manager appoints seven members of the Authority Board of Directors. The other four members of the board of directors are appointed by Kalamazoo County (1), Kalamazoo Valley Community College (1), and Portage Public Schools (2). The Local Development Finance Authority is a blended component unit because, although the governing bodies of the City and the Authority are not similar, the City Manager appoints the voting majority of the governing body and may therefore impose the City's will on the organization. Further, because the City is financially responsible for the Authority, and because the Authority acts only to further the development aims of the consolidated plan of the City, the services and benefits provided to entities other than the City are insignificant.

Discretely Presented Component Units:

Complete financial statements for the discretely presented component units can be obtained from the Department of Community Development, City of Portage, 7900 South Westnedge Avenue, Portage, Michigan 49002.

Economic Development Corporation - The Corporation was established by the City on November 21, 1978, under the authority contained in Act 338, Michigan Public Acts of 1974. The purpose of the Corporation is to promote the economic development of the community. To achieve this purpose, the Corporation issues bonds to private business and industry to finance projects that reduce unemployment and otherwise strengthen and revitalize the local economy. The City Council of the City of Portage appoints the Economic Development Corporation Board of Directors. Because the City appoints the voting majority of the governing body and may therefore impose its will on the organization, it has been presented as component unit. It is not a blended component unit under GAAP because the component unit's governing body is not substantially the same as the primary government, and the benefits provided to entities other than the City are significant.

Tax Increment Finance Authority - The Authority was established by the City on September 3, 1985, under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorized the City to designate a specific district within its corporate limits as a Tax Increment Finance Authority District. The Authority is appointed to preside over this specific district and it is authorized to formulate plans and secure financing for public improvements, economic development, neighborhood revitalization and historic preservation within this area. These plans must be set forth in a tax increment financing plan which must be approved by the governing body of the City. The City Council of the City of Portage also appoints the Tax Increment Finance Authority Board of Directors. Because the city appoints the voting majority of the governing body and may therefore impose its will on the organization, and because the City is financially responsible for the Tax Increment Financing Authority, it is presented as a component unit. It is not a blended component unit under GAAP because the component unit's governing body is not substantially the same as the primary government, and the benefits provided to entities other than the City are significant. However, since the Authority had no activity during the fiscal year, no data has been presented.

B. Basis of presentation – Government-wide Financial Statements

Government-wide and Fund Financial Statements - The basic financial statements include both government-wide and fund financial statements. The focus is on the City as a whole and on major individual funds.

Note 1 Summary of Significant Accounting Policies, continued

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Internal service fund asset and liability balances that are not eliminated in the statement of net assets are reported in the governmental activities column on the government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

The fund level statements focus on the governmental, proprietary and fiduciary funds. The accounts of the City are organized on the basis of funds. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Major individual governmental funds and major individual enterprise funds are supported as separate columns in the fund financial statements.

The city's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). By definition, these assets are held for the benefit of a third party and cannot be used to address activities or obligations of the government, and are therefore not included in the government-wide statements. The activities of these funds include administration of the defined benefit pension trust and retiree health care liability trust, as well as the administration of the Cemetery Permanent fund, the Historic Book fund, and the CDBG Program Income fund. Because the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the flow of economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available. Revenues, other than grants, are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period (defined by the City as collected within 60 days of year-end). Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed and when all eligibility requirements of the provider have been met and are considered to be available if expected to be collected within one year. Expenditures generally are recorded when a liability is incurred. However, expenditures related to compensated absences or arbitrage are recorded when the liability is matured. Debt service expenditures are recognized when payment is matured. The reported fund balance of governmental funds is considered a measure of available expendable resources.

Property taxes, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Note 1 Summary of Significant Accounting Policies, continued

The City reports the following major governmental funds:

General Fund: The general fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It includes the following activities: public safety, streets and highways, parks and facility management, and general government.

Special Assessment Fund: Although no longer required as an individual governmental fund-type after GASB Statement No. 6, *Accounting and Reporting for Special Assessments*, the City utilizes special assessments under its Charter to balance the cost of certain public improvements between private benefit and public burden, and chooses to emphasize the difference between special assessment debt and other debt issues by continuing to maintain this fund type. The public improvements subject to special assessment primarily benefit a particular property owner or group of property owners, ultimately increasing the fair market value of their property. The property owners pay the assessment over a 10-year term for street improvements, and over a 20-year term for water and sewer improvements, unless sooner paid. The activities performed by the City with regard to Special Assessments include organizing special assessment districts, overseeing the performance of the project itself, and accounting for and collecting the assessments to pay any debt incurred to finance the project. On November 7, 2006, voters approved an amendment to the City Charter restricting the right of the City to levy special assessments for the construction or reconstruction of streets, and amended the City Charter to permanently levy up to one mill (one tenth of one percent of the assessed value of all real and personal property in the City) dedicated to the construction or reconstruction of streets under the City's jurisdiction. As a result, only the construction or reconstruction of streets petitioned for by citizens and approved by Council will result in special assessments in future. The ability of the City to levy special assessments for water and sewer public improvements is unchanged. No new special assessments were entered into for street construction or reconstruction during the fiscal year ended June 30, 2007. The first tax levy for municipal street construction/reconstruction will be assessed on July 1, 2007. The City anticipates that, as a direct result of these actions, special assessments will decline over time to a level where they will cease to be a major fund and no longer merit distinction from other debt issues.

Capital Improvement Program (CIP) Fund: The City assesses a dedicated tax millage to support a balanced capital investment program. The program constructs, improves and maintains the highest level of public infrastructure and community resources. The fund accounts for the collection of dedicated tax revenues, and for financing the construction of all City capital projects in excess of \$10,000. These projects include creation of or improvements to streets, parks, city buildings, and other city facilities not owned or used by the Water and Sewer utility enterprises.

Major Streets Fund: This fund accounts for the maintenance of major streets, as certified by the state highway commissioner, and trunklines within the City. Primary funding is from special revenues provisions of Act 51 of 1951, as amended, of the state of Michigan. This fund does not meet the criteria of a major fund as defined by GASB, but the state of Michigan requires that it be presented as a major fund.

Local Streets Fund: This fund accounts for the maintenance of all local streets, as certified by the state highway commissioner. It is funded by special revenues from provisions of Act 51 of 1951, as amended, of the state of Michigan. This fund does not meet the criteria of a major fund as defined by GASB, but the state of Michigan requires that it be presented as a major fund.

Proprietary and fiduciary fund financial statements are accounted for on the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing water and wastewater services. Other revenues or expenses are non-operating items.

The City reports the following major enterprise funds, which are also considered proprietary funds:

Sewer Fund - Accounts for the activities of the City-owned wastewater utility.

Water Fund - Accounts for the activities of the City-owned water utility.

Note 1 Summary of Significant Accounting Policies, continued

In addition, the City reports the following non-major governmental funds:

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, including grant funds. These include cultural activities, cable television, Community Development Block Grant (CDBG), Local Development Finance Authority, West Lake weed management, curbside recycling, and the leaf pickup fund.

Debt Service Funds account for resources accumulated and payments made for general long-term debt.

Permanent Funds account for resources that are legally restricted to the extent that restrictions apply as to whether only earnings and not principal may be used for the limited and specific purposes that support the City's programs. Permanent funds account for Cemetery Perpetual Care and CDBG Program Income related activities.

The City reports the following proprietary and fiduciary funds:

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges. The City has elected to follow GASB statements issued after November 30, 1989, rather than statements issued by the Financial Accounting Standards Board (FASB), in accordance with GASB Statement No. 20. The Sewer and Water funds are the City's only enterprise funds. The City reports no nonmajor enterprise funds.

Internal Service Funds account for the financing of goods or services provided by one City department or agency to other City departments or agencies or to other governmental units on a cost-reimbursement basis. These activities include, but are not limited to, fleet services. As a general rule, the effect of interfund activity has been eliminated for government-wide reporting purposes. These funds are presented on a combined basis in the Statement of Net Assets – Proprietary Funds in the Internal Service Funds column and in detail in the Combining Statements of Net Assets – Internal Service Funds. These funds include the equipment and insurance funds.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments. Fiduciary funds are not included in the government-wide financial statements. The fiduciary funds of the City include the pension trust fund and retiree health care trust fund.

Agency funds account for net assets held on behalf of others, are purely custodial (assets equal liabilities) and do not involve the measurement of results of operations. The agency funds of the City include the following: Current Year Tax Collection fund, accounting for tax funds collected and distributed; the Investment Interest Allocation fund, holding the accrued and liquid interest earnings on the pooled investments of the city; the payroll clearing fund, collecting and allocating insurance and other payroll-related costs; a general Trust and Agency fund, holding various deposits for bid, bail, and construction bonds; and the Historic Book fund, collecting and forwarding sales funds on behalf of the author of a book about Portage's past.

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) Prior to April 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The proposed operating budget includes proposed expenditures and the means of financing them, and is adopted at the "activity" level with the exception of the capital improvement fund, which is adopted at the "project" level.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) The budget is legally enacted through passage of an ordinance no later than the second Monday in June.

Annual budgets are legally adopted for the general fund, certain special revenue funds and debt service funds. Annual budgets are adopted for the enterprise funds, internal service fund, cemetery perpetual fund, and CDBG program income funds, although they are not legally required. Multi-year budgets are adopted for capital

Note 1 Summary of Significant Accounting Policies, continued

projects and grant funds, where appropriations remain authorized for the life of the project, irrespective of fiscal year.

Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment.

Formal budgetary control is employed during the year at the fund and department level as a management control device for annually budgeted funds.

Budgets are modified throughout the year. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund to another, or in situations where the transfer would cause a change in fund balance.

The original and final budgets for the General Fund are reported in the Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual. Unencumbered appropriations for annual budgets lapse at fiscal year-end.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end in the General Fund. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation, with the approval of City Council, to allow liquidation of the encumbrance.

E. Financial Statement Elements

Pooled Investments and Cash Deposit Balances - Cash balances of all City funds (except for certain funds having non-pooled investments) are pooled and invested. Investments purchased with pooled cash, consisting primarily of high-grade commercial paper and U.S. agency obligations, are stated at fair value. Interest earned on investments purchased with pooled cash is allocated monthly to each participating fund based upon the fund's average daily balance. Funds that incur a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

Investments - Certain investments are required to be reported at fair value, based upon quoted market prices. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments at fair value as of June 30, 2007.

Accounts Receivable - Balances of accounts receivable, reported on the government-wide statement of net assets, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of June 30, 2007:

	<u>Charges for Services</u>	<u>Special Assessments</u>	<u>Other Governments</u>	<u>Total</u>
Governmental Activities				
Major Funds	\$ 1,511,786	\$ 3,227,092	\$ 552,837	\$ 5,291,715
Non-major Funds	-	-	77,407	77,407
Total	<u>\$ 1,511,786</u>	<u>\$ 3,227,092</u>	<u>\$ 630,244</u>	<u>\$ 5,369,122</u>

There is no provision for an allowance for doubtful accounts because Kalamazoo County guarantees payment of real property taxes, and the Ordinances of the City provide for the creation of durable tax liens for all taxes, assessments and charges putting the City in the position of eventual 100% collection.

Business-type activities are primarily comprised of charges for services.

Note 1 Summary of Significant Accounting Policies, continued

Elimination of Internal Activities - The elimination of internal service fund activity is needed in order to eliminate duplicate activity in making the transition from fund level financial statements to the government-wide financial statements. In addition, the elimination of internal service fund activity requires the city to "look back" and adjust the internal service funds' internal charges. A positive change in net assets derived from internal service fund activity results in a pro rata reduction in the charges made to the participatory funds. A deficit change in net assets of internal service funds requires a pro rata increase in the amounts charged to the participatory funds.

Internal Balances - In the government-wide statement of net assets, internal balances are the receivables and payables between the governmental and business-type activities. There were no internal balances as of June 30, 2007.

Interfund Activities - In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the charge back of services, such as utilities or vehicle maintenance, and charges for central administrative costs. Elimination of these charges would distort the direct costs and program revenues of the various functions reported. The City recovers indirect costs that are incurred through a plan of allocation utilizing actual costs. These amounts are eliminated in the government-wide statement of activities.

Interfund Receivables/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivable and payable balances are classified as "due from other funds" or "due to other funds" on the fund-level statements when they are expected to be liquidated within one year. If receivable or payable balances are expected to be liquidated after one year, they are classified as "advances to other funds" or "advances from other funds." No interfund receivables existed as of June 30, 2007.

Inventories - Inventories are valued at the lower of cost (first-in - first-out) or market. Inventories for all funds use the consumption method and expenditures are recorded when issued. The Equipment Fund holds the only inventory maintained by the City.

Prepaid expenses and other assets - The governmental activities statement of net assets includes prepaid expenses and other assets. Fund balance is reserved for prepaid expenses; fund balance is not reserved for other assets.

Restricted assets - Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

The balance of restricted asset accounts in the enterprise funds are as follows:

	<u>Business-Type Activities</u>		<u>Total Restricted Assets</u>
	<u>Sewer</u>	<u>Water</u>	
Revenue bond indentures	\$ 100,000	\$ 100,000	\$ 200,000

Capital assets - Capital assets, which include land, facilities and improvements, machinery and equipment and infrastructure assets, are reported in the applicable governmental or business-type activity columns of the government-wide statement of net assets, and related depreciation is allocated to programs in the statement of activities. Capital assets are defined as assets with an initial individual cost of \$5,000 or more and an estimated useful life of greater than one year. Assets purchased or constructed are capitalized at historical cost. Contributed capital assets are recorded at estimated fair market value at the time of receipt or at historical cost if historical cost is available. Capital outlay (asset purchases that do not meet the definition of a capital asset) is recorded as an expenditure in the general fund and other governmental funds, and as an asset in the government-wide financial statements and proprietary funds. Maintenance and repairs are charged to operations as incurred, and improvements and betterments that extend the useful lives of capital assets are capitalized.

Note 1 Summary of Significant Accounting Policies, continued

The City has adopted and implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. No material impairments requiring disclosure or restatement of previously issued financial statements existed at the adoption date. No material impairments existed as of the statement date.

The City obtains public domain capital assets (infrastructure) through capital improvement project (CIP) construction, or through annexation or developer contribution. Infrastructure consists of certain improvements other than buildings, including streets and roads, bridges, pedestrian facilities, drainage systems and traffic signal systems.

Interest is not capitalized on governmental capital assets. For enterprise funds, interest paid on long-term debt in the enterprise funds is capitalized when it can be attributed to a specific project and when it materially exceeds the interest revenue generated by bond proceeds issued to fund the project.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

Assets	Governmental Activities ⁽¹⁾	Business-Type Activities	
		Sewer	Water
Buildings	40	40	40
Equipment	5	5	5
Vehicles	5	5	5
Improvements to grounds	20	20	20
Water and wastewater systems*	-	50 - 100	50 - 100
Infrastructure			
Streets and roads	20	-	-
Retaining walls	30	-	-
Bridges	50	-	-
Drainage systems	50	-	-
Pedestrian facilities	20	-	-
Traffic signals	20	-	-

⁽¹⁾ Includes internal service funds

*Water and wastewater systems constructed prior to 2007 depreciated on 100 year basis; beginning in fiscal year 2007 a 50 year life is used.

Depreciation of assets is classified by functional components. The City considers land to be inexhaustible; and therefore, these assets are reported as non-depreciable. Unallocated depreciation reported in the government-wide statement of activities consists of depreciation of infrastructure assets of \$7,103,192.

In the government-wide and proprietary fund statements, the City recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

Deferred Charges or Credits - Deferred charges represent expenditure for expense prepayments that are distinguished from prepaid expenses on the basis of the time over which they will be recognized as period expenses. That is, they involve a longer period of time than prepaid expenses do. Deferred credits represent revenue received at fiscal year-end prior to the earning process being complete.

Short Term Debt – In February of 2005 (fiscal year 2004/2005), the city issued \$1,055,000 in bond anticipation notes to finance improvements at a busy intersection in the heart of the city. Due in February of 2008, the notes will be replaced by long term debt. These anticipation notes represent the only short term debt held by the city.

Balance at June 30, 2006:	\$1,055,000
Increases/decreases:	-0-
Balance at June 30, 2007:	\$1,055,000

Long Term Debt - The debt service for general obligation bonds and other general obligation debt, including loans, issued to fund general government capital projects is paid from tax revenues, interfund transfers and intergovernmental revenues. Such general obligation debt is reported in the government-wide statements under governmental activities.

Note 1 Summary of Significant Accounting Policies, continued

The debt service for general obligation bonds and other general obligation debt issued to fund proprietary fund capital projects is normally paid from the net revenues of the applicable proprietary fund, although such debt will be repaid from tax revenues if necessary. Such general obligation debt is shown as a specific

liability of the applicable proprietary fund, which is appropriate under generally accepted accounting principals and in view of the expectation that the proprietary fund will provide resources to service the debt.

Revenue bonds that have been issued to finance capital projects of certain enterprise funds are to be repaid from net revenues of these funds. Such debt is recorded in the funds. Operating revenues and interest income that are used as security for revenue bonds are reported separately from other revenues.

The City defers and amortizes gains or losses realized by proprietary funds on refundings of debt and for governmental activities in the government-wide financial statements, and reports both the new debt liability and the related deferred amount on the funds' balance sheets. The City recognizes gains or losses on debt defeasance when funds from current operations are used.

Operating Revenues - Revenues are recorded net of allowances in the government-wide and proprietary fund-level statements. No allowances were necessary for the year ended June 30, 2007.

Interfund Revenues, Expenses and Transfers - Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved, such as billing for utility services. Transactions between funds that constitute reimbursements for expenditures or expenses are recorded as expenditures or expenses in the fund that is reimbursed. Transfers between funds are reported in the operations of governmental and proprietary funds.

Intergovernmental Revenue, Receivables and Liabilities - Intergovernmental revenues and related receivables arise primarily through funding received from federal grants and state grants. These revenues and receivables are earned through expenditure of money for grant purposes, or through consolidating settlements while acting as tax collection agency for other local government units. Intergovernmental liabilities arise primarily from funds held in an agency capacity for other local government units.

Federal and State Grants, Entitlements and Shared Revenues - Grants, entitlements, and shared revenues may be accounted for within any City fund. The purpose and requirements of each grant, entitlement, or shared revenue are analyzed to determine the appropriate fund statement and revenue category in which to report the related transactions. Grants, entitlements and shared revenues received for activities normally recorded in a particular fund may be accounted for in that fund, provided that applicable legal restrictions can be satisfied.

Revenues received for activities normally recorded in other governmental funds are accounted for within the nonmajor governmental fund groupings: federal grant funds, state grant funds, and other special revenue funds. Capital grants restricted for capital acquisition or construction, other than those associated with proprietary type funds, are accounted for in the applicable capital projects funds. Revenues received for operating activities of proprietary funds or revenues that may be used for either operations or capital expenditures at the discretion of the City are recognized in the applicable proprietary fund.

Restricted Resources - When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Reservations of Fund Equity - Reservation of fund balances of the governmental funds indicate that portion of fund equity which is not available for appropriation for expenditure or is legally restricted by outside parties for use for a specific purpose. Designations of fund balance are the representations of management for the utilization of resources in future periods. Reserves for police safety training are legally restricted to those purposes by the grantor.

Note 1 Summary of Significant Accounting Policies, concluded

Cash and Investments - For purposes of the statement of cash flows, the city considers cash and cash investments to consist of currency on hand, cash held by trustee, demand deposits with banks, invested funds, and all amounts included in pooled investments and cash accounts.

Pension Costs - It is the policy of the City to fund pension costs annually. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service cost (see defined benefit pension plan information in Note 11, and defined contribution pension plan information in Note 12).

Risk Management - The City is exposed to employee-related risks for workers' compensation, as well as to various risks of loss related to torts, including medical malpractice; theft of, damage to, or destruction of assets, errors and omissions, and natural disasters. The City continues to be self-insured for liabilities for workers' compensation claims with stop-loss provisions in place (Note 10.B.).

The City participates in a risk pool administered by the Michigan Municipal Risk Management Association for coverage to insure against property loss or damage, commercial crime, and fidelity bonds. The City complies with GASB Statement No. 10, *Accounting and reporting for Risk Financing and Related Insurance Issues* (See Note 10.B.).

F. Comparative Data

Governments are required to present comparative data only in connection with Management's Discussion and Analysis (MD&A). They may also present comparative data on the government-wide statement of activities. Comparative data is presented as part of the MD&A.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

H. Compensated Absences

City employees are granted compensated absences for vacation and sick leave in varying amounts based on length of service. It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. The estimated long-term liability for vacation and sick pay which will be paid with future Governmental-type operating resources is recorded as general long term debt. The total estimated long-term cost of employees' accumulated vacation and sick leave was approximately \$1,828,005 at June 30, 2007.

I. Post-Retirement Benefits

In addition to the pension benefits described in Notes 11, 12, and 13 the City provides post-retirement health care benefits under the varying terms of a number of separate union contracts, and under the employee benefit program of the City as it has existed over the years when the entitlement occurred. Currently 16 retirees meet the applicable eligibility requirements, although an average of 19 were eligible during the fiscal year. Expenditures for post-retirement health care benefits are currently recognized on a pay-as-you-go basis as the premiums for coverage are paid. During the year ended June 30, 2007, expenditures of approximately \$103,776 were recognized for post-retirement health insurance premiums. Contractual payments were made directly to certain unions that negotiated to assume full responsibility for future health care benefit obligations of their members. Annual increases in premium rates for this benefit sector in the several plans the City is obligated to provide have ranged from 6% to 29% over the past several years. In anticipation of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions* in the fiscal year ending June 30, 2008, the City has pre-funded actuarially determined estimates of future liabilities for retiree health care benefits.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Schedules that show the adjustments required to take the figures in the government-wide statements to those in the governmental fund statement presentation immediately follow those statements.

3. POOLED INVESTMENTS AND CASH

The following summarizes the amounts of the pooled investments and cash by fund at June 30, 2007:

Pooled Investments and Cash				
	<u>Unrestricted, invested</u>	<u>Restricted, invested</u>	<u>Other cash</u>	<u>Total</u>
General fund	\$ 4,669,162	-	\$ 11,643	\$ 4,680,805
Special assessments fund	4,011,178	-	-	4,011,178
Capital improvement fund	-	-	5,200	5,200
Streets funds	633,506	-	1,705	635,211
CDBG Program Income	8,043	-	-	8,043
Non-major governmental funds	3,292,777	-	25,837	3,318,614
Agency and trust funds	294,758	-	-	294,758
Internal service funds	1,093,948	-	3,234	1,097,182
Sewer fund	1,814,927	100,000	4,194	1,919,121
Water fund	-	100,000	2,058	102,058
Totals	<u>\$ 15,818,299</u>	<u>\$ 200, 000</u>	<u>\$ 53,871</u>	<u>\$ 16,072,170</u>

Other cash includes retainage and other escrowed funds, petty cash, and insurance pool deposits.

The Pension and Employee Benefit Trust Funds' investment in fixed income securities of \$3,357,900 and the Retiree Health Care funds investment of \$2,545,911 with the Municipal Employee's Retirement System of Michigan are excluded from the above as the result of not being pooled investments and cash. Component unit cash as of June 30, 2007, totaled \$19,293, and also is not pooled cash.

4. DEPOSITS AND INVESTMENTS

The City maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average monthly balances. A "zero balance account" mechanism provides for overnight sweeps of deposits made to the City depository account, and the outstanding balance in the accounts payable checking account, resulting in an instantaneous transfer to the investment account. Thus, the majority of funds in the City's operating accounts are invested at all times.

A. Investments

The City's deposits and investments are invested pursuant to the City of Portage investment policy. The objective of the policy is, in order of priority, preservation of capital, liquidity and yield. The policy addresses the soundness of financial institutions in which the City will deposit funds, diversification of the portfolio composition, and the permitted types of investment instruments. The terms of policy are informed by the provisions of Chapter 129, Public Funds, of the Michigan Compiled Laws and permit investment in:

1. Certificates of deposit issued by banks located in Michigan;
2. U.S. Treasury and agency obligations;
3. Commercial paper at the two highest rating levels;
4. Domestic bankers acceptances
5. U.S. Treasury or agency backed repurchase agreements, and
6. PA 20 qualified local government investment trusts and mutual funds

Further, the City assumes that its callable investments will not be called, and that all investments will be held to maturity.

The City participates in a local government investment trust, CLASS, managed by MBIA, Municipal Investors Service Corporation. Overnight operating account balances were invested in the JP Morgan Chase Michigan Governmental Operating fund. The City owns 1:1 dollar interests in each fund. Both pools are composed of investment vehicles that are permissible under state of Michigan law for municipal government, and would qualify for direct investment by the City. The fair value of the City's position in these funds is equivalent to the carrying value, and, as such, is included in the cash and pooled funds category.

Note 4 Deposits and Investments, continued

During the 2006/2007 fiscal year, the City bid out its' banking services and the successful bidder was JP Morgan Chase Bank. The conversion from Comerica Bank to Chase proceeded through year end and was completed early in the 2007/2008 fiscal year. The overnight investments held during the year by Comerica Bank were invested in its' "J" fund, which meets the criteria of Michigan law for investment by municipal governments. The overnight investments held in Chase accounts are invested in Chase's Michigan Governmental Operating fund that meets the criteria of Michigan law for investment by municipal governments.

Pension trust fund investments, a fiduciary fund not included in the government-wide statements, must conform to the limits and standards set forth in Michigan Public Act 55 of the Public Acts of 1982, as amended, and Public Act 252 of 1988. Its' corpus is held by, and its' assets are managed by Principal Financial Group, Inc.

Retiree health care fund investments, a fiduciary fund not included in the government-wide statements, must conform to the limits and standards set forth in Michigan Public Act 55 of the Public Acts of 1982, as amended, and Public Act 252 of 1988. The vehicle and terms of investment meet the criteria of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for a qualifying Trust. Its' corpus is held by, and its' assets are managed by the Municipal Employees' Retirement System of Michigan (MERS).

The component unit's funds are included in the City's pooled cash funds, and partake ratably in the City's investment portfolio.

As of June 30, 2007, the City had the following investments:

Investment Type	Fair Value	Effective Duration
U.S. Government Agencies	\$ 5,772,657	0.861
Commercial Paper	1,364,000	0.000
Investment Pools	4,035,230	0.000
Total Fair Value	\$ 11,171,887	

Book value exceeds fair value of cash and investments by \$4,846,412 due primarily to checks issued on future deposits, but also accrued interest, restricted funds, and other outstanding cash items. Adjusting fair value by these amounts reconciles it to the invested book value of \$16,018,299.

Interest Rate Risk. In accordance with its investment policy, the City minimizes investment rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The investment portfolio is structured so that securities mature to meet known cash requirements for ongoing operations, and the maturity of investments is limited to less than six years.

Credit Risk. The investment policy limits investments in commercial paper to those rated in the two highest classifications by nationally recognized statistical ratings organizations. As of June 30, 2007, investments in commercial paper were rated A1 by Standard and Poor's, F-1 by Fitch Ratings, and P-1 by Moodys Investors Service. As of June 30, 2007, the investments in the MBIA CLASS, the Comerica Bank "J" Fund, and the JP Morgan Chase Michigan Governmental Operating Fund investment pools were not rated.

Concentration of Credit Risk. The City minimizes the concentration of credit risk, which is the risk of loss attributed to the magnitude of investment in a single issuer. The investment policy requires diversification of the portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The investment policy criteria relating to the various forms of credit risk are as follows:

Investment type	Type, % of Portfolio Limit	Issuer/Broker, % of Portfolio Limit
Certificate of Deposit	may not exceed 60%	may not exceed 40%
U.S. Treasury and Agency	no limit	may not exceed 40% with one broker
Commercial Paper	may not exceed 70%	may not exceed 15%
Bankers Acceptances	no limit	may not exceed 40% with one bank
Repurchase Agreements	may not exceed 10%	may not exceed 40% with one bank
Mutual Fund/Local Govt Investment Pools	may not exceed 80%	may not exceed 40%

Note 4 Deposits and Investments, continued

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the policy of the City to minimize custodial credit risk for both investments and cash deposits. The City has a zero custodial credit risk exposure as of June 30, 2007, because all securities are registered, and are held by brokerage firms that are also the counterparty for these investments. Cash deposits are maintained at less than the FDIC insurance limits, and therefore have zero custodial credit risk as well.

Foreign Currency Risk. The City is not authorized to participate in investments that have this type of risk.

B. Deposits

Primary Government

At year end, the uninvested carrying amount of the City deposits was \$400,001, the total book balance in the operating and overnight governmental cash investment funds was \$3,575,069. Compensating balances of \$400,000 are held in the depository account, and \$1 is held in the disbursement account, making the overnight sum held by the bank \$400,001. The \$400,001 is \$300,001 over the \$100,000 coverage limit for FDIC insurance. The risk inherent in exceeding the FDIC limit is considered remote, and the compensating balance is instrumental in limiting the expense of bank service charges. The overnight sweep is invested in a governmental cash investment fund that meets the criteria for local government investment pools outlined in Public Act 367. Funds deposited in accordance with the requirements of Public Act 367 of 1982 are considered fully secured. No collateralization is required of the banking institution.

Component Units

The carrying value of deposits for the Economic Development Corporation was \$19,293. The Tax Increment Financing Authority is presently inactive, and has a zero deposit balance.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2007, \$300,001 of the City's deposits were exposed to custodial credit risk because the level of compensating balances exceed the amount covered by FDIC insurance.

5. PROPERTY TAXES

Property taxes are levied and attach as an enforceable lien on property as of August 1, and are due on September 14 of each year. Real property taxes remaining unpaid on the following March 1 are turned over to the County Treasurer for collection and the City is paid in full for the taxes by the County. Therefore, amounts recorded as delinquent tax payments receivable represent only unpaid personal property taxes.

The City bills and collects its own property taxes and also collects taxes for the state education fund, district library, Kalamazoo county, community college, regional programs, and the school districts contained within the City corporate limits. Collection and remittance of the state education fund, district library, Kalamazoo county, community college, regional programs, and the school districts taxes are accounted for in the current year tax collection and in the trust and agency Funds. City property tax revenues are recognized when levied to the extent that they result in current receivables.

6. CAPITAL ASSETS AND INFRASTRUCTURE

Capital assets activity for the year ended June 30, 2007 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 7,964,899	\$ 767,475	\$ (141,194)	\$ 8,591,180
Rights-of-way	4,417,193	30,947	-	4,448,140
Total capital assets, not being depreciated	12,382,092	798,422	(141,194)	13,039,320
Capital assets, being depreciated				
Land improvements	6,448,798	6,980	-	6,455,778
Buildings	13,367,247	154,673	(19,882)	13,502,038
Machinery and equipment	6,051,892	138,911	-	6,190,803
Vehicles	7,906,254	469,724	(322,138)	8,053,840
Infrastructure	179,046,152	3,451,776	-	182,497,928
Total capital assets, being depreciated	212,820,343	4,222,064	(342,020)	216,700,387
Less accumulated depreciation for:				
Land Improvements	(2,954,221)	(274,060)	-	(3,228,281)
Buildings	(4,221,855)	(357,648)	19,055	(4,560,448)
Machinery and equipment	(5,141,969)	(390,948)	-	(5,532,917)
Vehicles	(5,686,000)	(858,464)	298,224	(6,246,240)
Infrastructure	(105,905,105)	(7,103,192)	-	(113,008,297)
Total accumulated depreciation	(123,909,150)	(8,984,312)	317,279	(132,576,183)
Total capital assets, being depreciated, net	88,911,193	(4,762,248)	(24,741)	84,124,204
Governmental activities capital assets, net	<u>\$101,293,285</u>	<u>\$ (3,963,826)</u>	<u>\$ (165,935)</u>	<u>\$ 97,163,524</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 217,945	\$ 99,384	\$ -	\$ 317,329
Total capital assets, not being depreciated	217,945	99,384	-	317,329
Capital assets, being depreciated				
Land Improvements	90,517	-	-	90,517
Buildings	1,089,501	-	-	1,089,501
Machinery and equipment	1,162,077	-	-	1,162,077
Water and sewer system	116,525,647	2,164,402	-	118,690,049
Total capital assets, being depreciated	118,867,742	2,164,402	-	121,032,144
Less accumulated depreciation for:				
Land improvements	(46,116)	(6,927)	-	(53,043)
Buildings	(625,354)	(34,909)	-	(660,263)
Machinery and equipment	(956,744)	(57,812)	-	(1,014,556)
Water and sewer system	(25,193,719)	(1,331,800)	-	(26,525,519)
Total accumulated depreciation	(26,821,933)	(1,431,448)	-	(28,253,381)
Total capital assets, being depreciated, net	92,045,809	732,954	-	92,778,763
Business-type activities capital assets, net	<u>\$ 92,263,754</u>	<u>\$ 832,338</u>	<u>\$ -</u>	<u>\$ 93,096,092</u>

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:	
General government	\$ 319,793
Public safety	769,359
Streets and highways	67,798
Health & welfare	18,511
Parks/facility mgmt.	388,380
Unallocated depreciation	7,103,192
Total depreciation expense – governmental activities	<u>\$ 8,667,033</u>
Business-type activities:	
Sewer	\$ 758,287
Water	673,161
Total depreciation expense – business-type activities	<u>\$ 1,431,448</u>
The component unit has no capital assets.	

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2007 totaled \$0.

Transfers between funds for the year ended June 30, 2007, were as follows:

Governmental Activities	General Fund	Major Streets	Local Streets	Non-major Gov't'l	Capital Improvement	Sewer Operating	Water Operating	Permanent	Transfers In:
General Fund	-	-	-	180,000	-	-	-	22,000	202,000
Major Streets	610,000	-	-	-	-	-	-	-	610,000
Local Streets	420,000	200,000	-	-	-	-	-	-	620,000
Capital Improvement	-	950,000	-	-	7,600	90,000	70,000	-	1,117,600
Nonmajor Governmental	5,000	-	-	20,006	4,773,000	-	-	-	4,798,006
Business-type Activities									
Water Operating	-	-	-	-	245,470	-	(70,000)	-	175,470
Sewer Operating	-	20,000	20,000	-	485,310	(90,000)	-	-	435,310
Transfers Out:	<u>1,035,000</u>	<u>1,170,000</u>	<u>20,000</u>	<u>200,006</u>	<u>5,511,380</u>	<u>-</u>	<u>-</u>	<u>22,000</u>	<u>7,958,386</u>

Interfund transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds, 3) transfer bond proceeds from the issuing fund to internal service funds to fund asset purchases, 4) provide remuneration to funds providing common services.

8. DEBT AND NON-DEBT LIABILITIES

Debt Issues: Special Assessment bonds were issued in the amount of \$785,000.

Debt and Non-Debt Liabilities, continued

General Obligation bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	1.50%-6.75%	\$ 2,162,270
Business-type activities	1.50%-6.75%	3,277,730
		<u>\$ 5,440,000</u>

Annual debt service requirements to maturity for general obligation bonds:

Year ending	Governmental Activities		Business-type Activities	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 302,729	\$ 81,487	\$ 462,271	\$ 142,945
2009	303,054	69,568	426,946	122,905
2010	256,841	58,635	373,159	104,894
2011	222,984	49,653	317,016	89,361
2012	199,988	41,744	310,012	74,995
2013-2017	520,716	128,587	944,284	208,478
2018-2022	309,398	43,634	405,602	49,616
2023-2027	46,560	1,407	38,440	1,004
Totals	<u>\$ 2,162,270</u>	<u>\$ 474,715</u>	<u>\$ 3,277,730</u>	<u>\$ 794,197</u>

Capital Improvement Project bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	2.00%-4.60%	\$ 21,164,375
Business-type activities	2.00%-4.60%	9,295,625
		<u>\$ 30,460,000</u>

Annual debt service requirements to maturity for Capital Improvement Project bonds:

Year ending	Governmental Activities		Business-type Activities	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,522,002	\$ 778,149	\$ 767,998	\$ 337,039
2009	1,522,002	730,931	762,998	312,254
2010	1,515,253	681,215	754,747	287,300
2011	1,515,788	630,670	749,212	262,191
2012	1,528,071	578,582	791,929	235,624
2013-2017	6,935,099	2,102,136	3,449,901	769,585
2018-2022	3,942,169	995,844	1,497,831	233,499
2023-2027	2,683,991	257,174	521,009	55,324
Totals	<u>\$21,164,375</u>	<u>\$6,754,701</u>	<u>\$9,295,625</u>	<u>\$2,492,816</u>

Building Authority bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	3.65%-5.60%	\$ 12,610,000

Annual debt service requirements to maturity for Building Authority bonds:

Year ending	Governmental Activities	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 810,000	\$ 608,092
2009	860,000	568,563
2010	910,000	526,016
2011	915,000	481,434
2012	970,000	434,833
2013-2017	4,950,000	1,407,745
2018-2022	2,920,000	384,494
2023-2027	275,000	6,875
Totals	<u>\$12,610,000</u>	<u>\$4,418,052</u>

Debt and Non-Debt Liabilities, continued

Downtown Development Authority bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	3.00%-5.25%	\$ 5,705,000

Annual debt service requirements to maturity for Downtown Development Authority bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 120,000	\$ 262,768
2009	125,000	258,286
2010	140,000	253,371
2011	160,000	247,639
2012	175,000	240,874
2013-2017	1,390,000	1,052,444
2018-2022	2,440,000	615,249
2023-2027	1,155,000	178,000
Totals	<u>\$5,705,000</u>	<u>\$3,108,631</u>

Local Development Finance Authority bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	6.10%-6.35%	\$ 6,270,000

Annual debt service requirements to maturity for Local Development Finance Authority bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 140,000	\$ 333,688
2009	140,000	326,998
2010	140,000	320,308
2011	140,000	313,618
2012	140,000	306,928
2013-2017	1,175,000	1,393,400
2018-2022	1,750,000	1,046,138
2023-2027	2,045,000	534,000
2028-2032	600,000	76,200
Totals	<u>\$6,270,000</u>	<u>\$4,651,278</u>

Motor Vehicle Highway bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	3.50%-5.80%	\$ 11,925,000

Annual debt service requirements to maturity for Motor Vehicle Highway bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 835,000	\$ 568,625
2009	865,000	530,503
2010	845,000	491,456
2011	885,000	451,169
2012	930,000	408,184
2013-2017	4,740,000	1,357,134
2018-2022	2,825,000	287,250
Totals	<u>\$11,925,000</u>	<u>\$4,094,321</u>

Debt and Non-Debt Liabilities, continued

Special Assessment debt with government commitment

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Water main, sewer main, road improvements	1.50%-7.20%	\$ 7,280,000
Annual debt service requirements to maturity for special assessment bonds:		
Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 930,000	\$ 294,670
2009	825,000	259,586
2010	805,000	226,411
2011	715,000	194,894
2012	670,000	165,788
2013-2017	2,020,000	497,688
2018-2022	995,000	180,168
2023-2027	320,000	28,530
Totals	<u>\$7,280,000</u>	<u>\$1,847,735</u>

Revenue bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Water main and sewer main construction	2.00%-7.00%	\$14,970,000
Annual debt service requirements to maturity for revenue bonds:		
Year ending	<u>Business-type Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 650,000	\$ 607,953
2009	670,000	584,770
2010	740,000	559,544
2011	810,000	531,000
2012	810,000	499,978
2013-2017	3,350,000	2,111,972
2018-2022	4,655,000	1,273,275
2023-2027	3,285,000	245,025
Totals	<u>\$14,970,000</u>	<u>\$6,413,517</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 2,542,588	\$ -	\$ (380,318)	\$ 2,162,270	\$ 302,729
Special Assessment debt					
With government					
Commitment	7,415,000	785,000	(920,000)	7,280,000	930,000
Building Authority bonds	13,380,000	-	(770,000)	12,610,000	810,000
Motor Vehicle Highway bonds	12,780,000	-	(855,000)	11,925,000	835,000
Downtown Development					
Authority bonds	5,805,000	-	(100,000)	5,705,000	120,000
Local Development Finance					
Authority bonds	6,270,000	-	-	6,270,000	140,000
CIP Bonds	22,418,263	-	(1,253,888)	21,164,375	1,513,985
Total bonds payable	70,610,851	785,000	(4,279,206)	67,116,645	4,651,714
Compensated absences	1,839,094	974,985	(1,102,390)	1,711,689	1,102,390
Retiree health care and pension	1,106,857	-	(51,393)	1,055,464	-
Governmental activity					
Long term liabilities	<u>\$ 73,556,802</u>	<u>\$ 1,759,985</u>	<u>\$ (5,432,989)</u>	<u>\$ 69,883,798</u>	<u>\$ 5,754,104</u>

Debt and Non-Debt Liabilities, continued

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable:					
General obligation bonds	\$ 3,742,415	\$ -	\$ (464,685)	\$ 3,277,730	\$ 462,271
CIP Utility Refunding bonds	9,931,737	-	(636,112)	9,295,625	776,015
Utility revenue bonds	15,600,000	-	(630,000)	14,970,000	650,000
Total bonds payable	29,274,152	-	(1,730,797)	27,535,338	1,888,286
Compensated absences	72,864	44,517	(1,062)	116,319	1,062
Business-type activity					
Long term liabilities	\$ 29,347,016	\$ 44,517	\$ (1,731,859)	\$ 27,659,674	\$ 1,889,351

The liabilities for compensated absences and net pension obligation have been liquidated out of current operations as claims arose, the cost of which is allocated among the different funds based on direct payroll allocation. The General Fund carries the largest payroll burden, and, therefore, satisfies the majority of the liability liquidation cost.

9. LITIGATION

As with any municipality, claims may from time to time be asserted which allege liability on the part of the City connected with a number of different matters involving general liability. The City is involved in a number of legal proceedings; while any litigation or investigation has an element of uncertainty, the City believes the uninsured portion of any lawsuit, or claim which is pending or threatened, or all of them combined, will not have a materially adverse effect on its financial condition or operations.

On May 6, 1998, the city reached a settlement agreement with the City of Kalamazoo for litigation begun in 1995. The litigation alleged overcharging by the City of Kalamazoo for wastewater rates over an extended period of time. The settlement agreement called for a credit of \$1,000,000 to the City of Portage that will be recognized over a 20-year period. The City of Kalamazoo has accounted for this credit as a contribution in aid of construction (of the wastewater system) on behalf of the City of Portage. The City of Portage recorded the credit as a reduction of expenses in the Sewer Fund for the appropriate amount annually over the life of the settlement period. The settlement agreement was adopted by the appropriate judicial agencies.

10. COMMITMENTS AND CONTINGENCIES

A. Capital Improvement Plan

The City has a ten year *Capital Improvement Program* (CIP capital budget) that is an anticipated spending plan for the projects in the upcoming and future years. The City's 2006/2007 Capital Budget included new appropriations of \$14,395,287, including \$3,085,000 for the City's enterprise funds and \$11,310,287 for general government projects. The City has substantial contractual commitments relating to its capital improvement program, as follows:

<u>CIP project:</u>	<u>Spent to date</u>	<u>Remaining commitment</u>
Water system expansion (Enterprise fund)	\$ 1,317,096	\$3,726,603
Sewer main additions (Enterprise fund)	916,319	2,647,542
Street additions and improvements	3,813,832	6,340,217
Sidewalk and bikeway improvements	341,101	918,556
Public safety improvements - Police	244,741	243,807
Public safety improvements – Fire	156,748	153,324
Parks improvements	90,346	264,654
Public facility improvements	958,353	0
	<u>\$7,838,536</u>	<u>\$14,294,703</u>

Commitments and Contingencies, continued

B. Risk-Related Contingencies

The City uses internal service funds to account for risks related to health benefits, third-party liability, and workers' compensation. The funds are as follows:

<u>Fund Name</u>	<u>Description</u>
Liability Reserve	This reserve is held by Michigan Municipal Risk Management Association under the terms of their coverage for losses and claims related to liability for bodily injury, property damage, professional liability and certain employment liability. Excludes losses and claims related to health benefits or workers' compensation. After deductibles, experience rates dictate the reserve funding balance.
Workers' Compensation	Self-Insured. Costs are charged to other City funds each year based on historical cost. Stop-loss protection for individual incident claims paid in excess of \$350,000 is provided by Employers Reinsurance Corporation.

The City purchases coverage for loss or damage to real property, theft and other criminal acts, and third-party liability associated with utility operations through participation in a municipal risk pool, MMRMA. The MMRMA stop loss program consists of an annually established dollar level of reserve out of which claims are paid. When payments exceed the reserve, MMRMA satisfies the claims. The level of stop loss reserve held by MMRMA as of June 30, 2007, was \$14,815.88. The amount of insurance settlement has not exceeded insurance coverage in this fiscal year, nor in the preceding three fiscal years.

Contingency liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

11. PENSION PLANS

The City continues to fund annuity contracts under a defined benefit pension plan covering certain employees of the City of Portage. These contracts cover certain full-time employees who were first hired prior to the years 1985 through 1989 (depending on their various employee groups), and who individually elected to remain participants in the defined benefit plan upon the City's adoption of defined contribution plans. (See Note 12.) The plan has 4 active participants. The plan is active only with regard to the 4 active participants, participants who are no longer employed but who have not yet achieved the right to receive benefits under the plan, and the retirees currently receiving benefit under the plan. The annuity contracts are administered by the Principal Financial Group, and are held and invested separately from all other City funds. The plan is a single-employer plan.

Plan Description. The plan is a single-employer public employee defined benefit pension plan established and administered by the City of Portage. The plan covers certain department heads and non-union employees who opted not to join a defined contribution plan, plus police radio operators. Participants include several terminated vested persons from other employee groups. The Plan provides retirement and death benefits to plan members and beneficiaries. The authority to establish and amend the benefit provisions rests with the City Council, under City Charter Section 6.17. The plan is considered part of the City of Portage's financial reporting entity, and is disclosed as a pension trust fiduciary fund in the City's financial reports. A financial statement may be obtained by writing to City of Portage, Finance Department, 7900 South Westnedge Avenue, Portage, Michigan 49002 or by calling (269) 329 - 4456.

Funding Policy. There are no required contributions by plan members. The plan has 4 active participants grandfathered in this defined benefit plan at the time that the City adopted the Defined Contribution plan. The contribution requirements of plan members and the employer were established by City Council and may be amended by City Council. Recommended contributions are actuarially determined. Administrative costs are funded through investment earnings.

Annual Pension Cost and Net Pension Obligation.

	<u>June 30, 2007</u>
Annual recommended contribution	\$ -0-
Interest on net pension obligation	-0-
Annual pension cost	-0-
Contribution made	-0-
Increase (decrease) in net pension obligation	-0-
Net pension obligation, beginning of year	-0-
Net pension obligation, end of year	-0-

The annual required contribution was determined as part of the July 1, 2007, actuarial valuation using the entry age normal cost method. The actuarial assumptions include (a) an 8% investment rate of return, and (b) projected salary increases of 4% per year, compounded annually, attributable to inflation. The entry age normal cost method is used. This method does not identify or separately amortize unfunded actuarial liabilities (or funding excess). The effect of this actuarial technique is to smooth the effects of short-term volatility in the market value over a four-year period.

Summary of Significant Accounting Policies:

Basis of Accounting. The defined benefit plan is maintained as a pension trust fiduciary fund and is included as part of the City's reporting entity. The financial statements of the fund are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Recommended contribution amounts to satisfy unfunded accrued pension liability are based on a 30-year amortization period. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments. Plan investments are reported at fair value. Investment value is determined according to the contract lump sum transfer provision ignoring any contract restrictions on such transfer. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national, or international, exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest, and are discounted at the prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/03	\$ 75,228	100%	\$ 0
06/30/04	\$ 0	100%	\$ 0
06/30/05	\$ 0	100%	\$ 0
06/30/06	\$ 0	100%	\$ 0
06/30/07	\$ 0	100%	\$ 0

12. DEFINED CONTRIBUTION PLANS

The City has established a number of defined contribution plans that supersede the defined benefit plan. Employees at the time had the choice of transferring to the defined contribution plans. Each employee group has its own separate plan. The non-union and department head plans are administered by the City through trust agreements with the International City/County Management Association Retirement Corporation (ICMARC). The union plans are administered by the respective unions through trust agreements with PPS&V Asset Management Consultants, Inc. Selected employees in the Police Command and Street Foreman union groups are allowed to self-direct their investments. However, this does not change the responsibilities of the plan administrator. Financial statements for each plan can be obtained from the Finance Director, City of Portage, 7900 South Westnedge Avenue, Portage, Michigan 49002.

Plan Description. The plans cover all full-time employees, except those still enrolled in the defined benefit plan. Plan members are not required to contribute. Plan provision and contribution requirements are established and

may be amended by the City Council, under City Charter Section 6.17. The City is required to contribute either specific dollar amounts or specific percentages of full-time salary costs, depending on the employee group. During the fiscal year ended June 30, 2007, the City contributed \$1,827,626 to the various plans, representing an aggregate of approximately 16.08% of covered payroll. No contributions were made to the plans by their participants.

13. DEFERRED COMPENSATION PLAN

The City provides an approved deferred compensation plan, under Section 457 of the Internal Revenue Code, which is administered by the ICMA Retirement Corporation. All City employees are eligible to participate. The Internal Revenue Code requires that the plan assets and income attributed to those assets be held in trust for the exclusive benefit of the participants and/or beneficiaries. All amounts of employees' compensation deferred under the plan are deposited with the plan trustee, ICMA Retirement Corporation, for management and investment. The plan trustee holds all assets of the plan, maintains accounting of each plan participant's accumulated assets and makes distributions to participants in accordance with the plan document.

14. DEFICIT FUND BALANCE

As of June 30, 2007, the Capital Improvement Fund had a deficit fund balance of (\$2,237,068) due to capital outlays for public improvements. The City plans to eliminate the deficit by issuing bonds in December, 2007, on unbonded projects.

15. EXPENDITURES IN EXCESS OF APPROPRIATIONS

No fund, or general fund department, spent in excess of appropriations for the year ended June 30, 2007.

Defined Benefit Retirement Plan

Schedule of Funding Progress

The amount shown below as actuarial accrued liability is computed using the Projected Unit Credit method of funding under the entry age normal cost method. The three most recent years of funding progress are as follows:

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a) / (b)	Excess of Assets Over AAL (d) (a) – (b)	Annual Covered Payroll (e)	Excess as a Percentage of Covered Payroll (d) / (e)
2004	3,649,167	2,703,628	134.97%	945,539	172,062	549.53%
2005	3,766,632	2,679,407	140.58%	1,087,225	175,443	619.70%
2006	3,390,348	2,525,454	134.25%	864,894	175,443	492.98%

Analysis of dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of a plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due.

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2007

	Special Revenue Funds	Debt Service Funds	Cemetery Permanent Fund	Total
ASSETS				
Cash and investments	\$ 629,642	\$ 2,134,168	\$ 795,127	\$ 3,558,937
Accounts receivable	164,928	218,844	-	383,772
Due from other governments	77,407	-	-	77,407
Prepaid costs	20,596	-	-	20,596
Total assets	<u>892,573</u>	<u>2,353,012</u>	<u>795,127</u>	<u>4,040,712</u>
LIABILITIES				
Accounts payable	205,734	-	-	205,734
Checks issued against future deposits	76,549	163,774	-	240,323
Accrued compensation	15,270	-	-	15,270
Interest payable	-	8,011	-	8,011
Deferred revenue	16,007	-	-	16,007
Deposits payable	25,000	-	-	25,000
Total liabilities	<u>338,560</u>	<u>171,785</u>	<u>-</u>	<u>510,345</u>
FUND BALANCES				
Reserved for encumbrances	139,378	-	-	139,378
Reserved for prepaid costs	20,596	-	-	20,596
Reserved for uncompleted projects	137,945	-	-	137,945
Reserved for debt service	-	2,181,227	-	2,181,227
Reserved for perpetual care	-	-	795,127	795,127
Unreserved and undesignated	256,094	-	-	256,094
Total fund balances	<u>554,013</u>	<u>2,181,227</u>	<u>795,127</u>	<u>3,530,367</u>
 Total liabilities and fund balances	 <u>\$ 892,573</u>	 <u>\$ 2,353,012</u>	 <u>\$ 795,127</u>	 <u>\$ 4,040,712</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2007

	Special Revenue Funds	Debt Service Funds	Cemetery Permanent Fund	Total
REVENUES				
Taxes and special assessments	\$ 1,244,460	\$ 780,155	\$ -	\$ 2,024,615
Licenses and permits	557,410	-	-	557,410
Intergovernmental	268,175	-	-	268,175
Charges for services	40,415	-	73,400	113,815
Interest and rents	22,777	321,300	19,487	363,564
Other	102,167	-	-	102,167
Total revenues	<u>2,235,404</u>	<u>1,101,455</u>	<u>92,887</u>	<u>3,429,746</u>
EXPENDITURES				
Current:				
General government	42,919	-	-	42,919
Public safety	56,322	-	-	56,322
Health and welfare	1,351,115	-	-	1,351,115
Recreation and cultural	656,134	-	-	656,134
Debt service:				
Principal	-	2,971,877	-	2,971,877
Interest and fiscal charges	-	2,736,037	-	2,736,037
Total expenditures	<u>2,106,490</u>	<u>5,707,914</u>	<u>-</u>	<u>7,814,404</u>
Excess (deficiency) of revenues over expenditures	<u>128,914</u>	<u>(4,606,459)</u>	<u>92,887</u>	<u>(4,384,658)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	4,793,006	-	4,798,006
Transfers out	(200,006)	-	(22,000)	(222,006)
Total other financing sources (uses)	<u>(195,006)</u>	<u>4,793,006</u>	<u>(22,000)</u>	<u>4,576,000</u>
Net change in fund balances	(66,092)	186,547	70,887	191,342
Fund balances - beginning	<u>620,105</u>	<u>1,994,680</u>	<u>724,240</u>	<u>3,339,025</u>
Fund balances - ending	<u><u>\$ 554,013</u></u>	<u><u>\$ 2,181,227</u></u>	<u><u>\$ 795,127</u></u>	<u><u>\$ 3,530,367</u></u>

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet Nonmajor Special Revenue Funds

June 30, 2007

	Cultural Activities Fund	Cable Television Fund	Community Development Block Grant Fund	MiSHDA Grant Fund	Brownfield Redevelopment Authority Fund	West Lake Management Program	Curbside Recycling Fund	Leaf Pickup Spring Clean Fund	Total
ASSETS									
Cash and investments	\$ -	\$ 124,877	\$ -	\$ -	\$ 5,000	\$ 145,535	\$ 150,077	\$ 204,153	\$ 629,642
Accounts receivable	10,000	138,921	-	-	-	16,007	-	-	164,928
Due from other governments	-	-	63,713	13,694	-	-	-	-	77,407
Prepaid costs	16,786	-	-	-	-	-	1,726	2,084	20,596
Total assets	<u>26,786</u>	<u>263,798</u>	<u>63,713</u>	<u>13,694</u>	<u>5,000</u>	<u>161,542</u>	<u>151,803</u>	<u>206,237</u>	<u>892,573</u>
LIABILITIES									
Accounts payable	1,883	37,571	-	-	-	7,590	45,322	113,368	205,734
Checks issued against future deposits	3,667	-	59,188	13,694	-	-	-	-	76,549
Accrued compensation	5,900	2,799	4,525	-	-	-	924	1,122	15,270
Deferred revenue	-	-	-	-	-	16,007	-	-	16,007
Deposits payable	-	25,000	-	-	-	-	-	-	25,000
Total liabilities	<u>11,450</u>	<u>65,370</u>	<u>63,713</u>	<u>13,694</u>	<u>-</u>	<u>23,597</u>	<u>46,246</u>	<u>114,490</u>	<u>338,560</u>
FUND BALANCES									
Reserved:									
Reserved for encumbrances	3,050	11,315	-	-	2,000	-	6,564	116,449	139,378
Reserved for prepaid costs	16,786	-	-	-	-	-	1,726	2,084	20,596
Reserved for lakes maintenance	-	-	-	-	-	137,945	-	-	137,945
Unreserved:									
Undesignated	(4,500)	187,113	-	-	3,000	-	97,267	(26,786)	256,094
Total fund balances	<u>15,336</u>	<u>198,428</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>137,945</u>	<u>105,557</u>	<u>91,747</u>	<u>554,013</u>
Total liabilities and fund balances	<u>\$ 26,786</u>	<u>\$ 263,798</u>	<u>\$ 63,713</u>	<u>\$ 13,694</u>	<u>\$ 5,000</u>	<u>\$ 161,542</u>	<u>\$ 151,803</u>	<u>\$ 206,237</u>	<u>\$ 892,573</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds

Fiscal Year Ended June 30, 2007

	Cultural Activities Fund	Cable Television Fund	Community Development Block Grant Fund	MiSHDA Grant Fund	Brownfield Redevelopment Authority Fund	West Lake Management Fund	Curbside Recycling Fund	Leaf Pickup Spring Clean Fund	Total
REVENUES:									
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,397	\$ 527,693	\$ 711,370	\$ 1,244,460
Licenses and permits	-	557,410	-	-	-	-	-	-	557,410
Intergovernmental	-	-	242,965	25,210	-	-	-	-	268,175
Charges for services	40,415	-	-	-	-	-	-	-	40,415
Interest on investments	90	1,722	-	-	-	3,616	8,536	8,813	22,777
Other	101,230	-	-	-	-	-	-	937	102,167
Total revenues	<u>141,735</u>	<u>559,132</u>	<u>242,965</u>	<u>25,210</u>	<u>-</u>	<u>9,013</u>	<u>536,229</u>	<u>721,120</u>	<u>2,235,404</u>
EXPENDITURES:									
General government	-	-	42,919	-	-	-	-	-	42,919
Public safety	-	-	56,322	-	-	-	-	-	56,322
Health and welfare	-	-	143,724	25,210	-	-	593,360	588,821	1,351,115
Recreation and cultural	141,397	496,534	-	-	-	18,203	-	-	656,134
Total expenditures	<u>141,397</u>	<u>496,534</u>	<u>242,965</u>	<u>25,210</u>	<u>-</u>	<u>18,203</u>	<u>593,360</u>	<u>588,821</u>	<u>2,106,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>338</u>	<u>62,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,190)</u>	<u>(57,131)</u>	<u>132,299</u>	<u>128,914</u>
OTHER FINANCING SOURCES (USES):									
Transfers in	-	-	-	-	5,000	-	-	-	5,000
Transfers out	-	(130,000)	-	-	-	-	-	(70,006)	(200,006)
Total other financing sources and (uses)	<u>-</u>	<u>(130,000)</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>(70,006)</u>	<u>(195,006)</u>
Net change in fund balances	<u>338</u>	<u>(67,402)</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>(9,190)</u>	<u>(57,131)</u>	<u>62,293</u>	<u>(66,092)</u>
Fund balances - beginning	<u>14,998</u>	<u>265,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,135</u>	<u>162,688</u>	<u>29,454</u>	<u>620,105</u>
Fund balances - ending	<u><u>\$ 15,336</u></u>	<u><u>\$ 198,428</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 137,945</u></u>	<u><u>\$ 105,557</u></u>	<u><u>\$ 91,747</u></u>	<u><u>\$ 554,013</u></u>

CITY OF PORTAGE, MICHIGAN

Cultural Activities Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

	2007			2006
	Amended Budget	Actual	Variance with Amended Budget + / (-)	Actual
REVENUES				
Charges for services	\$ 40,000	\$ 40,415	\$ 415	\$ 37,773
Interest on investments	600	90	(510)	53
Other	90,000	101,230	11,230	99,857
Total revenues	<u>130,600</u>	<u>141,735</u>	<u>11,135</u>	<u>137,683</u>
EXPENDITURES				
Cultural Activities	<u>129,075</u>	<u>141,397</u>	<u>(12,322)</u>	<u>127,497</u>
Total expenditures	<u>129,075</u>	<u>141,397</u>	<u>(12,322)</u>	<u>127,497</u>
Excess (deficiency) of revenues over expenditures	1,525	338	(1,187)	10,186
Fund balance - beginning	<u>14,998</u>	<u>14,998</u>	-	<u>4,812</u>
Fund balance - ending	<u>\$ 16,523</u>	<u>\$ 15,336</u>	<u>\$ (1,187)</u>	<u>\$ 14,998</u>

CITY OF PORTAGE, MICHIGAN

Cable Television Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006**

	2007		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2006 Actual
REVENUE:			
Licenses and permits:			
Annual fees	\$ 496,000	\$ 557,410	\$ 61,410
Interest on investments	1,500	1,722	222
Total revenues	<u>497,500</u>	<u>559,132</u>	<u>61,632</u>
EXPENDITURES:			
Recreation and cultural:			
Operations	<u>540,599</u>	<u>496,534</u>	<u>44,065</u>
Total expenditures	<u>540,599</u>	<u>496,534</u>	<u>44,065</u>
Excess (deficiency) of revenues over expenditures	(43,099)	62,598	105,697
OTHER FINANCING USES:			
Transfers:			
General Fund	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>
Net change in fund balance	(173,099)	(67,402)	105,697
Fund balance - beginning	<u>265,830</u>	<u>265,830</u>	<u>-</u>
Fund balance - ending	<u>\$ 92,731</u>	<u>\$ 198,428</u>	<u>\$ 105,697</u>

CITY OF PORTAGE, MICHIGAN

Community Development Block Grant Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

	2007			2006
	Amended Budget	Actual	Variance with Amended Budget + / (-)	Actual
REVENUE:				
Intergovernmental:				
Federal grants	\$ 326,283	\$ 242,965	\$ (83,318)	\$ 231,115
Total revenues	<u>326,283</u>	<u>242,965</u>	<u>(83,318)</u>	<u>231,115</u>
EXPENDITURES:				
General government:				
Administration	45,980	42,919	3,061	54,924
Public safety:				
Code enforcement	58,706	56,322	2,384	64,212
Health and welfare:				
Housing rehabilitation	188,940	110,586	78,354	74,769
Portage Community Outreach Center	33,138	33,138	-	37,210
Total expenditures	<u>326,764</u>	<u>242,965</u>	<u>83,799</u>	<u>231,115</u>
Excess (deficiency) of revenues over expenditures	(481)	-	(481)	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ (481)</u>	<u>\$ -</u>	<u>\$ (481)</u>	<u>\$ -</u>

CITY OF PORTAGE, MICHIGAN

Michigan State Housing Development Authority Grant Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

	2007			
	Amended Budget	Actual	Variance with Amended Budget + / (-)	2006 Actual
REVENUE:				
Intergovernmental:				
State grants	\$ 50,000	\$ 25,210	\$ (24,790)	\$ -
Total revenues	<u>50,000</u>	<u>25,210</u>	<u>(24,790)</u>	<u>-</u>
EXPENDITURES:				
Health and welfare:				
Housing rehabilitation	50,000	25,210	24,790	-
Portage Community Outreach Center	-	-	-	-
Total expenditures	<u>50,000</u>	<u>25,210</u>	<u>24,790</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PORTAGE, MICHIGAN

Brownfield Redevelopment Authority Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

	2007			
	Amended Budget	Actual	Variance with Amended Budget + / (-)	2006 Actual
REVENUE:				
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -
Interest on investments	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Health & welfare				
Legal services	5,000	-	5,000	-
Total expenditures	5,000	-	5,000	-
Excess (deficiency) of revenues over expenditures	(5,000)	-	5,000	-
OTHER FINANCING SOURCES (USES):				
Operating transfers in:				
General Fund	5,000	5,000	-	-
Total other financing sources (uses)	5,000	5,000	-	-
Net change in fund balance	-	5,000	5,000	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ 5,000	\$ 5,000	\$ -

CITY OF PORTAGE, MICHIGAN

West Lake Management Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

	2007		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2006 Actual
REVENUE:			
Taxes and special assessments	\$ 6,076	\$ 5,397	\$ (679)
Interest on investments	1,500	3,616	2,116
Total revenues	<u>7,576</u>	<u>9,013</u>	<u>1,437</u>
EXPENDITURES:			
Recreation and Cultural:			
Weed control	45,000	18,203	26,797
Total expenditures	<u>45,000</u>	<u>18,203</u>	<u>26,797</u>
Excess (deficiency) of revenues over expenditures	<u>(37,424)</u>	<u>(9,190)</u>	<u>28,234</u>
Net change in fund balance	(37,424)	(9,190)	28,234
Fund balance - beginning	<u>147,135</u>	<u>147,135</u>	<u>-</u>
Fund balance - ending	<u>\$ 109,711</u>	<u>\$ 137,945</u>	<u>\$ 28,234</u>

CITY OF PORTAGE, MICHIGAN

Curbside Recycling Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

		2007		
		Amended Budget	Actual	Variance with Amended Budget + / (-)
				2006 Actual
REVENUE:				
	Taxes and special assessments	\$ 519,800	\$ 527,693	\$ 7,893
	Interest on investments	14,000	8,536	(5,464)
	Total revenues	<u>533,800</u>	<u>536,229</u>	<u>2,429</u>
EXPENDITURES:				
	Health and welfare:			
	Operations	615,692	593,360	22,332
	Total expenditures	<u>615,692</u>	<u>593,360</u>	<u>22,332</u>
	Excess (deficiency) of revenues over expenditures	<u>(81,892)</u>	<u>(57,131)</u>	<u>24,761</u>
	Net change in fund balance	(81,892)	(57,131)	24,761
	Fund balance - beginning	<u>162,688</u>	<u>162,688</u>	<u>-</u>
	Fund balance - ending	<u>\$ 80,796</u>	<u>\$ 105,557</u>	<u>\$ 24,761</u>

CITY OF PORTAGE, MICHIGAN

Leaf Pickup / Spring Cleanup Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006**

	2007			2006
	Amended Budget	Actual	Variance with Amended Budget + / (-)	Actual
REVENUE:				
Taxes and special assessments	\$ 701,400	\$ 711,370	\$ 9,970	\$ 702,249
Interest on investments	13,000	8,813	(4,187)	12,949
Other revenue	15,000	937	(14,063)	8,469
Total revenues	<u>729,400</u>	<u>721,120</u>	<u>(8,280)</u>	<u>723,667</u>
EXPENDITURES:				
Health and welfare:				
Operations	648,282	588,821	59,461	600,803
Total expenditures	<u>648,282</u>	<u>588,821</u>	<u>59,461</u>	<u>600,803</u>
Excess (deficiency) of revenues over expenditures	<u>81,118</u>	<u>132,299</u>	<u>51,181</u>	<u>122,864</u>
OTHER FINANCING SOURCES (USES):				
Transfer in (out):				
General Fund	(50,000)	(50,000)	-	(187,306)
Debt Service Fund	(20,006)	(20,006)	-	(19,198)
Total other financing sources (uses)	<u>(70,006)</u>	<u>(70,006)</u>	<u>-</u>	<u>(206,504)</u>
Net change in fund balance	11,112	62,293	51,181	(83,640)
Fund balance - beginning	<u>29,454</u>	<u>29,454</u>	<u>-</u>	<u>113,094</u>
Fund balance - ending	<u>\$ 40,566</u>	<u>\$ 91,747</u>	<u>\$ 51,181</u>	<u>\$ 29,454</u>

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet Nonmajor Debt Service Funds

June 30, 2007

	General Obligation Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund	Building Authority Debt Service Fund	Local Development Finance Authority 2 Debt Service Fund	Total
ASSETS						
Cash and investments	\$ 28,378	\$ 9,712	\$ 267,209	\$ -	\$ 1,828,869	\$ 2,134,168
Accounts receivable	-	-	-	218,844	-	218,844
Total assets	<u>28,378</u>	<u>9,712</u>	<u>267,209</u>	<u>218,844</u>	<u>1,828,869</u>	<u>2,353,012</u>
LIABILITIES						
Checks issued against future deposits	-	-	-	163,774	-	163,774
Interest payable	-	-	-	-	8,011	8,011
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,774</u>	<u>8,011</u>	<u>171,785</u>
FUND BALANCES						
Reserved for debt service	28,378	9,712	267,209	55,070	1,820,858	2,181,227
Total fund balances	<u>28,378</u>	<u>9,712</u>	<u>267,209</u>	<u>55,070</u>	<u>1,820,858</u>	<u>2,181,227</u>
Total liabilities and fund balances	<u>\$ 28,378</u>	<u>\$ 9,712</u>	<u>\$ 267,209</u>	<u>\$ 218,844</u>	<u>\$ 1,828,869</u>	<u>\$ 2,353,012</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds

Fiscal Year Ended June 30, 2007

	General Obligation Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund	Building Authority Debt Service Fund	Local Development Finance Authority 2004 Debt Service Fund	Total
REVENUES:						
Taxes and special assessments	\$ 304	\$ -	\$ 368,419	\$ -	\$ 411,432	\$ 780,155
Interest on investments	4,154	1,310	7,749	-	42,819	56,032
Rental revenue	-	-	-	265,268	-	265,268
Total revenues	<u>4,458</u>	<u>1,310</u>	<u>376,168</u>	<u>265,268</u>	<u>454,251</u>	<u>1,101,455</u>
EXPENDITURES:						
Debt Service:						
Principal retirement	1,444,505	855,000	100,000	572,372	-	2,971,877
Interest and fiscal charges	915,606	607,540	267,278	600,256	345,357	2,736,037
Total expenditures	<u>2,360,111</u>	<u>1,462,540</u>	<u>367,278</u>	<u>1,172,628</u>	<u>345,357</u>	<u>5,707,914</u>
Excess (deficiency) of revenues over expenditures	<u>(2,355,653)</u>	<u>(1,461,230)</u>	<u>8,890</u>	<u>(907,360)</u>	<u>108,894</u>	<u>(4,606,459)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in:						
Capital Improvement Fund	2,356,000	1,465,000	-	952,000	-	4,773,000
Special Assessment Fund	20,006	-	-	-	-	20,006
Total other financing sources (uses)	<u>2,376,006</u>	<u>1,465,000</u>	<u>-</u>	<u>952,000</u>	<u>-</u>	<u>4,793,006</u>
Net change in fund balance	20,353	3,770	8,890	44,640	108,894	186,547
Fund balances - beginning	<u>8,025</u>	<u>5,942</u>	<u>258,319</u>	<u>10,430</u>	<u>1,711,964</u>	<u>1,994,680</u>
Fund balances - ending	<u>\$ 28,378</u>	<u>\$ 9,712</u>	<u>\$ 267,209</u>	<u>\$ 55,070</u>	<u>\$ 1,820,858</u>	<u>\$ 2,181,227</u>

CITY OF PORTAGE, MICHIGAN

General Obligation Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006**

	2007		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2006 Actual
REVENUES			
Taxes	\$ -	\$ 304	\$ 304
Interest on investments	1,000	4,154	3,154
Total revenues	<u>1,000</u>	<u>4,458</u>	<u>3,458</u>
EXPENDITURES			
Debt Service:			
Principal retirement	1,456,951	1,444,505	12,446
Interest and fiscal charges	944,555	915,606	28,949
Refund of tax revenues	-	-	-
Total expenditures	<u>2,401,506</u>	<u>2,360,111</u>	<u>41,395</u>
Excess (deficiency) of revenues over expenditures	<u>(2,400,506)</u>	<u>(2,355,653)</u>	<u>44,853</u>
OTHER FINANCING SOURCES:			
Transfers in:			
Leaf Pickup/Spring Cleanup Fund	20,006	20,006	-
Capital Improvement Funds	2,356,000	2,356,000	-
Total other financing sources (uses)	<u>2,376,006</u>	<u>2,376,006</u>	<u>-</u>
Net change in fund balance	(24,500)	20,353	44,853
Fund balance - beginning	<u>8,025</u>	<u>8,025</u>	<u>-</u>
Fund balance - ending	<u>\$ (16,475)</u>	<u>\$ 28,378</u>	<u>\$ 44,853</u>

CITY OF PORTAGE, MICHIGAN

Motor Vehicle Highway Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

	2007		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2006 Actual
REVENUES			
Interest on investments	\$ -	\$ 1,310	\$ 1,310
Total revenues	-	1,310	117
EXPENDITURES			
Debt Service:			
Principal retirement	855,000	855,000	-
Interest and fiscal charges	607,700	607,540	160
Total expenditures	1,462,700	1,462,540	160
Excess (deficiency) of revenues over expenditures	(1,462,700)	(1,461,230)	1,470
OTHER FINANCING SOURCES (USES):			
Transfers in:			
Capital Improvement Fund	1,465,000	1,465,000	-
Total other financing sources (uses)	1,465,000	1,465,000	-
Net change in fund balance	2,300	3,770	1,470
Fund balance - beginning	5,942	5,942	-
Fund balance - ending	\$ 8,242	\$ 9,712	\$ 1,470

CITY OF PORTAGE, MICHIGAN

Downtown Development Authority Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006**

	2007			
	Amended Budget	Actual	Variance with Amended Budget + / (-)	2006 Actual
REVENUE:				
Taxes	\$ 344,900	\$ 368,419	\$ 23,519	\$ 279,457
Interest on investments	1,000	7,749	6,749	10,653
Other revenue	-	-	-	-
Total revenues	<u>345,900</u>	<u>376,168</u>	<u>30,268</u>	<u>290,110</u>
EXPENDITURES:				
Debt Service:				
Principal	100,000	100,000	-	35,000
Interest	<u>267,530</u>	<u>267,278</u>	<u>252</u>	<u>269,438</u>
Total expenditures	<u>367,530</u>	<u>367,278</u>	<u>252</u>	<u>304,438</u>
Excess of revenues over expenditures	<u>(21,630)</u>	<u>8,890</u>	<u>30,520</u>	<u>(14,328)</u>
Net change in fund balance	(21,630)	8,890	30,520	(14,328)
Fund balance - beginning	<u>258,319</u>	<u>258,319</u>	<u>-</u>	<u>272,647</u>
Fund balance - ending	<u>\$ 236,689</u>	<u>\$ 267,209</u>	<u>\$ 30,520</u>	<u>\$ 258,319</u>

CITY OF PORTAGE, MICHIGAN

Building Authority Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

	2007		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2006 Actual
REVENUES			
Interest on investments	\$ 5,000	\$ -	\$ (5,000)
Rental revenue	225,493	265,268	39,775
Total revenues	230,493	265,268	34,775
EXPENDITURES			
Debt Service:			
Principal	572,393	572,372	21
Interest	601,228	600,256	972
Total expenditures	1,173,621	1,172,628	993
Excess of revenues over expenditures	(943,128)	(907,360)	35,768
OTHER FINANCING SOURCES			
Transfers in:			
Capital Improvement Fund	952,000	952,000	-
Total other financing sources (uses)	952,000	952,000	-
Net change in fund balance	8,872	44,640	35,768
Fund balance - beginning	10,430	10,430	-
Fund balance - ending	\$ 19,302	\$ 55,070	\$ 35,768

CITY OF PORTAGE, MICHIGAN

Local Development Finance Authority 2004 Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

	2007			
	Amended Budget	Actual	Variance with Amended Budget + / (-)	2006 Actual
REVENUES				
Taxes and special assessments	\$ 394,700	\$ 411,432	\$ 16,732	\$ 156,672
Interest on investments	12,000	42,819	30,819	21,195
Total revenues	<u>406,700</u>	<u>454,251</u>	<u>47,551</u>	<u>177,867</u>
EXPENDITURES				
Debt Service:				
Interest	433,860	345,357	88,503	197,100
Economic development	50,000	-	50,000	1,951,954
Total expenditures	<u>483,860</u>	<u>345,357</u>	<u>138,503</u>	<u>2,149,054</u>
Excess (deficiency) of revenues over expenditures	<u>(77,160)</u>	<u>108,894</u>	<u>186,054</u>	<u>(1,971,187)</u>
OTHER FINANCING SOURCES				
Issuance of debt obligations	-	-	-	3,120,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,120,000</u>
Net change in fund balance	(77,160)	108,894	186,054	1,148,813
Fund balance - beginning	<u>1,711,964</u>	<u>1,711,964</u>	<u>-</u>	<u>563,151</u>
Fund balance - ending	<u>\$ 1,634,804</u>	<u>\$ 1,820,858</u>	<u>\$ 186,054</u>	<u>\$ 1,711,964</u>

CITY OF PORTAGE, MICHIGAN

Cemetery Permanent Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006**

	2007			
	Amended Budget	Actual	Variance with Amended Budget + / (-)	2006 Actual
REVENUES				
Charges for services	\$ 40,000	\$ 73,400	\$ 33,400	\$ 33,625
Interest on investments	22,000	19,487	(2,513)	26,104
Total revenues	<u>62,000</u>	<u>92,887</u>	<u>30,887</u>	<u>59,729</u>
OTHER FINANCING SOURCES				
Transfers out:				
General Fund	(22,000)	(22,000)	-	(9,000)
Total other financing sources (uses)	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>	<u>(9,000)</u>
Net change in fund balance	40,000	70,887	30,887	50,729
Fund balance - beginning	<u>724,240</u>	<u>724,240</u>	<u>-</u>	<u>673,511</u>
Fund balance - ending	<u>\$ 764,240</u>	<u>\$ 795,127</u>	<u>\$ 30,887</u>	<u>\$ 724,240</u>

CITY OF PORTAGE, MICHIGAN

Community Development Block Grant Program Income Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2006

	2007			2006
	Amended Budget	Actual	Variance with Amended Budget + / (-)	Actual
REVENUES				
Loan principal	\$ 60,000	\$ 52,155	\$ (7,845)	\$ 98,096
Loan interest	-	4,183	4,183	20,777
Total revenues	<u>60,000</u>	<u>56,338</u>	<u>(3,662)</u>	<u>118,873</u>
EXPENDITURES				
Housing rehabilitation loans	59,270	77	59,193	51,592
Other	9,000	56,262	(47,262)	67,282
Total expenditures	<u>68,270</u>	<u>56,339</u>	<u>11,931</u>	<u>118,874</u>
Excess (deficiency) of revenues over expenditures	<u>(8,270)</u>	<u>(1)</u>	<u>8,269</u>	<u>(1)</u>
Net change in fund balance	(8,270)	(1)	8,269	(1)
Fund balance - beginning	<u>6,659</u>	<u>6,659</u>	<u>-</u>	<u>6,660</u>
Fund balance - ending	<u>\$ (1,611)</u>	<u>\$ 6,658</u>	<u>\$ 8,269</u>	<u>\$ 6,659</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Net Assets

Internal Service Funds

June 30, 2007

	Equipment Fund	Insurance Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 95,338	\$ 1,001,844	\$ 1,097,182
Inventory	87,453	-	87,453
Prepaid costs	58,790	-	58,790
Total current assets	241,581	1,001,844	1,243,425
Capital assets:			
Land	22,489	-	22,489
Land improvements	123,769	-	123,769
Buildings	1,737,939	-	1,737,939
Machinery and equipment	972,566	-	972,566
Vehicles	3,840,041	-	3,840,041
Less accumulated depreciation	(4,896,074)	-	(4,896,074)
Total capital assets (net of accumulated depreciation)	1,800,730	-	1,800,730
Total assets	2,042,311	1,001,844	3,044,155
LIABILITIES			
Current liabilities:			
Accounts payable	19,464	-	19,464
Accrued compensation	10,093	-	10,093
Workers' compensation	-	854,687	854,687
Accrued interest payable	15,096	-	15,096
Current portion of long-term debt	402,073	-	402,073
Total current liabilities	446,726	854,687	1,301,413
Long term liabilities:			
Notes payable (net of current portion)	72,072	-	72,072
Capital lease (net of current portion)	991,277	-	991,277
Accrued vacation and sick pay	37,084	-	37,084
Total long term liabilities	1,100,433	-	1,100,433
Total liabilities	1,547,159	854,687	2,401,846
NET ASSETS			
Invested in capital assets (net of related debt)	335,308	-	335,308
Unrestricted	159,844	147,157	307,001
Total net assets	\$ 495,152	\$ 147,157	\$ 642,309

CITY OF PORTAGE, MICHIGAN
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
Fiscal Year Ended June 30, 2007

	Equipment Fund	Insurance Fund	Total
Operating revenues:			
Charges for services:			
User charges	\$ 1,664,817	\$ 452,884	\$ 2,117,701
Other	26,220	-	26,220
Total operating revenue	<u>1,691,037</u>	<u>452,884</u>	<u>2,143,921</u>
Operating expenses:			
Operations and maintenance:			
Equipment	1,221,767	-	1,221,767
Workers' compensation	-	452,884	452,884
Depreciation	400,930	-	400,930
Total operating expenses	<u>1,622,697</u>	<u>452,884</u>	<u>2,075,581</u>
Operating income	<u>68,340</u>	<u>-</u>	<u>68,340</u>
Nonoperating revenues (expenses):			
Interest on investments	1,483	21,126	22,609
Interest and fiscal charges	(69,823)	-	(69,823)
Total nonoperating revenues (expenses)	<u>(68,340)</u>	<u>21,126</u>	<u>(47,214)</u>
Change in net assets	-	21,126	21,126
Total net assets - beginning	<u>495,152</u>	<u>126,031</u>	<u>621,183</u>
Total net assets - ending	<u>\$ 495,152</u>	<u>\$ 147,157</u>	<u>\$ 642,309</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2007

	Equipment Fund	Insurance Fund	Total
OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,691,037	452,884	\$ 2,143,921
Cash payments to suppliers for goods and services	(824,952)	(315,260)	(1,140,212)
Cash payments to employees for services	(379,021)	-	(379,021)
Cash provided by operating activities	<u>487,064</u>	<u>137,624</u>	<u>624,688</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(289,812)	-	(289,812)
Principal paid on capital lease	(371,309)	-	(371,309)
Principal paid on notes	(16,016)	-	(16,016)
Interest and fiscal charges paid on capital lease and notes	(73,725)	-	(73,725)
Cash used in capital and related financing activities	<u>(750,862)</u>	<u>-</u>	<u>(750,862)</u>
INVESTING ACTIVITIES:			
Interest on investments	1,483	21,126	22,609
Cash provided by investing activities	<u>1,483</u>	<u>21,126</u>	<u>22,609</u>
Net increase (decrease) in cash and investments	(262,315)	158,750	(103,565)
Cash and investments - beginning of year	357,653	843,094	1,200,747
Cash and investments - end of year	<u>\$ 95,338</u>	<u>\$ 1,001,844</u>	<u>\$ 1,097,182</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 68,340	\$ -	\$ 68,340
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	400,930	-	400,930
(Increase) decrease in inventory	(4,473)	-	(4,473)
(Increase) in prepaid costs	11,339	-	11,339
Decrease in accounts payable	8,404	-	8,404
Increase (decrease) in accrued compensation	2,524	137,624	140,148
Net cash provided by operating activities	<u>\$ 487,064</u>	<u>\$ 137,624</u>	<u>\$ 624,688</u>

CITY OF PORTAGE, MICHIGAN

Special Assessments Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUE:				
Special assessments	\$ 780,000	\$ 780,000	\$ 559,730	\$ (220,270)
Interest on special assessments	200,000	200,000	98,493	(101,507)
Interest on investments	140,300	140,300	114,965	(25,335)
Total revenues	<u>1,120,300</u>	<u>1,120,300</u>	<u>773,188</u>	<u>(347,112)</u>
EXPENDITURES:				
Debt Service:				
Principal retirement	920,000	920,000	920,000	-
Interest and fiscal charges	<u>308,412</u>	<u>308,412</u>	<u>304,048</u>	<u>4,364</u>
Total expenditures	<u>1,228,412</u>	<u>1,228,412</u>	<u>1,224,048</u>	<u>4,364</u>
Excess (deficiency) of revenues over expenditures	<u>(108,112)</u>	<u>(108,112)</u>	<u>(450,860)</u>	<u>(342,748)</u>
Net change in fund balance	(108,112)	(108,112)	(450,860)	(342,748)
Fund balance - beginning	<u>4,439,504</u>	<u>4,439,504</u>	<u>4,439,504</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,331,392</u>	<u>\$ 4,331,392</u>	<u>\$ 3,988,644</u>	<u>\$ (342,748)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Capital Projects Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUE:				
Taxes and special assessments	\$ 7,728,000	\$ 3,982,000	\$ 3,845,406	\$ (136,594)
Intergovernmental:				
Federal grants	1,111,000	2,031,000	5,000	(2,026,000)
Interest and rents	200,000	267,000	24,022	(242,978)
Other	1,381,287	1,537,454	1,318,833	(218,621)
Total revenues	<u>10,420,287</u>	<u>7,817,454</u>	<u>5,193,261</u>	<u>(2,624,193)</u>
EXPENDITURES:				
Capital outlay	<u>6,527,287</u>	<u>15,930,222</u>	<u>5,605,119</u>	<u>10,325,103</u>
Total expenditures	<u>6,527,287</u>	<u>15,930,222</u>	<u>5,605,119</u>	<u>10,325,103</u>
Excess (deficiency) of revenues over expenditures	<u>3,893,000</u>	<u>(8,112,768)</u>	<u>(411,858)</u>	<u>7,700,910</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of debt obligations	3,346,000	8,508,444	785,000	(7,723,444)
Discount on debt issuance	(10,000)	-	(15,700)	(15,700)
Transfers in	1,290,000	1,462,860	1,117,600	(345,260)
Transfers out	<u>(4,773,000)</u>	<u>(5,845,380)</u>	<u>(5,511,380)</u>	<u>334,000</u>
Total other financing sources and uses	<u>(147,000)</u>	<u>4,125,924</u>	<u>(3,624,480)</u>	<u>(7,750,404)</u>
Net change in fund balance	3,746,000	(3,986,844)	(4,036,338)	(49,494)
Fund balance - beginning	<u>1,799,270</u>	<u>1,799,270</u>	<u>1,799,270</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,545,270</u>	<u>\$ (2,187,574)</u>	<u>\$ (2,237,068)</u>	<u>\$ (49,494)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Combining Statement of Fiduciary Net Assets Pension Trust Funds

June 30, 2007

	Pension Trust Fund	Retiree Health Care Fund	Total Pension and Employee Benefit Trust Funds
<u>ASSETS</u>			
Cash and investments	\$ -	\$ 7,095	\$ 7,095
Cash and investments - non-pooled	-	2,545,911	2,545,911
Investments in fixed income securities	3,357,900	-	3,357,900
Total assets	<u>3,357,900</u>	<u>2,553,006</u>	<u>5,910,906</u>
<u>LIABILITIES</u>			
Deposits	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET ASSETS</u>			
Restricted for pension benefits	3,357,900	-	3,357,900
Restricted for retiree benefits	-	2,553,006	2,553,006
Total net assets	<u>\$ 3,357,900</u>	<u>\$ 2,553,006</u>	<u>\$ 5,910,906</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Changes in Fiduciary Net Assets Pension Trust Funds

Fiscal Year Ended June 30, 2007

	Pension Trust Fund	Retiree Health Care Fund	Total Pension and Employee Benefit Trust Funds
ADDITIONS			
Employer contributions	\$ -	\$ 459,853	\$ 459,853
Investment income			
Net increase in the fair value of investments	12,633	-	12,633
Interest income	168,891	348,984	517,875
Net investment earnings	181,524	348,984	530,508
Total additions	181,524	808,837	990,361
DEDUCTIONS			
Benefits to plan members	(207,347)	-	(207,347)
Administrative expenses	(6,625)	-	(6,625)
Total deductions	(213,972)	-	(213,972)
Change in net assets	(32,448)	808,837	776,389
Net assets - beginning	3,390,348	1,744,169	5,134,517
Net assets - ending	\$ 3,357,900	\$ 2,553,006	\$ 5,910,906

CITY OF PORTAGE, MICHIGAN

Combining Statement of Net Assets Agency Funds

June 30, 2007

	Current Year Tax Collection	Investment Interest Allocation	Payroll Fund	Trust and Agency	Historic Book	Total Agency Funds
ASSETS						
Cash and investments	\$ 245,572	\$ -	\$ -	\$ 36,646	\$ 5,445	\$ 287,663
Accounts receivable	29,347	-	255,840	-	5,434	290,621
Accrued interest receivable	-	116,345	-	-	-	116,345
Total assets	<u>274,919</u>	<u>116,345</u>	<u>255,840</u>	<u>36,646</u>	<u>10,879</u>	<u>694,629</u>
LIABILITIES						
Accounts payable	-	1,034	-	430	106	1,570
Checks issued against future deposits	-	-	253,654	-	-	253,654
Payroll withholdings payable	-	-	1,693	-	-	1,693
Accrued interest payable	-	115,311	-	-	-	115,311
Due to other governments	274,919	-	-	-	-	274,919
Deposits	-	-	493	36,216	10,773	47,482
Total liabilities	<u>\$ 274,919</u>	<u>\$ 116,345</u>	<u>\$ 255,840</u>	<u>\$ 36,646</u>	<u>\$ 10,879</u>	<u>\$ 694,629</u>

CITY OF PORTAGE, MICHIGAN

Statement of Changes in Agency Fund Assets and Liabilities Fiduciary Funds Fiscal Year Ended June 30, 2007

Current year Tax Collection Fund

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>ASSETS</u>				
Cash and investments	\$ 621,625	\$ 88,318,826	\$ 88,694,879	\$ 245,572
Accounts receivable	25,246	688,634	684,533	29,347
<u>TOTAL ASSETS</u>	<u>\$ 646,871</u>	<u>\$ 89,007,460</u>	<u>\$ 89,379,412</u>	<u>\$ 274,919</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 646,871	\$ 177,060,816	\$ 177,432,768	\$ 274,919
<u>TOTAL LIABILITIES</u>	<u>\$ 646,871</u>	<u>\$ 177,060,816</u>	<u>\$ 177,432,768</u>	<u>\$ 274,919</u>

Investment Interest Allocation Fund

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>ASSETS</u>				
Accrued interest receivable	\$ 433,933	\$ 854,800	\$ 1,172,388	\$ 116,345
<u>TOTAL ASSETS</u>	<u>\$ 433,933</u>	<u>\$ 854,800</u>	<u>\$ 1,172,388</u>	<u>\$ 116,345</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 433,933	\$ 854,800	\$ 1,172,388	\$ 116,345
<u>TOTAL LIABILITIES</u>	<u>\$ 433,933</u>	<u>\$ 854,800</u>	<u>\$ 1,172,388</u>	<u>\$ 116,345</u>

Payroll Fund

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>ASSETS</u>				
Cash and investments	\$ -	\$ 27,104,323	\$ 27,104,323	\$ -
Accounts receivable	393,507	456,856	594,523	255,840
<u>TOTAL ASSETS</u>	<u>\$ 393,507</u>	<u>\$ 27,561,179</u>	<u>\$ 27,698,846</u>	<u>\$ 255,840</u>
<u>LIABILITIES</u>				
Checks issued against future deposits	\$ 290,648	\$ -	\$ 36,994	\$ 253,654
Accounts payable	99,585	16,930,816	17,028,708	1,693
Deposits	3,274	1,198,028	1,200,809	493
<u>TOTAL LIABILITIES</u>	<u>\$ 393,507</u>	<u>\$ 18,128,844</u>	<u>\$ 18,266,511</u>	<u>\$ 255,840</u>

continued ...

CITY OF PORTAGE, MICHIGAN
Statement of Changes in Agency Fund Assets and Liabilities
Fiduciary Funds
Fiscal Year Ended June 30, 2007
(concluded)

Trust and Agency Fund

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>ASSETS</u>				
Cash and investments	\$ 112,204	\$ 97,561	\$ 173,119	\$ 36,646
Accounts receivable	-	2,088	2,088	-
<u>TOTAL ASSETS</u>	<u>\$ 112,204</u>	<u>\$ 99,649</u>	<u>\$ 175,207</u>	<u>\$ 36,646</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 170,007	\$ 169,577	\$ 430
Deposits	112,204	95,849	171,837	36,216
<u>TOTAL LIABILITIES</u>	<u>\$ 112,204</u>	<u>\$ 265,856</u>	<u>\$ 341,414</u>	<u>\$ 36,646</u>

Historic Book Fund

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>ASSETS</u>				
Cash and investments	\$ 67,941	\$ 23,804	\$ 86,300	\$ 5,445
Accounts receivable	-	20,858	15,424	5,434
<u>TOTAL ASSETS</u>	<u>\$ 67,941</u>	<u>\$ 44,662</u>	<u>\$ 101,724</u>	<u>\$ 10,879</u>
<u>LIABILITIES</u>				
Deposits	\$ 67,941	\$ 10,773	\$ 67,941	\$ 10,773
Accounts payable	-	85,413	85,307	106
<u>TOTAL LIABILITIES</u>	<u>\$ 67,941</u>	<u>\$ 96,186</u>	<u>\$ 153,248</u>	<u>\$ 10,879</u>

Combined Fiduciary Funds

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>ASSETS</u>				
Cash and investments	\$ 801,770	\$ 115,544,514	\$ 116,058,621	\$ 287,663
Accounts receivable	852,686	2,023,236	2,468,956	406,966
<u>TOTAL ASSETS</u>	<u>\$ 1,654,456</u>	<u>\$ 117,567,750</u>	<u>\$ 118,527,577</u>	<u>\$ 694,629</u>
<u>LIABILITIES</u>				
Checks issued against future deposits	\$ 290,648	\$ -	\$ 36,994	\$ 253,654
Accounts payable	1,180,389	195,101,852	195,888,748	393,493
Deposits	183,419	1,304,650	1,440,587	47,482
<u>TOTAL LIABILITIES</u>	<u>\$ 1,654,456</u>	<u>\$ 196,406,502</u>	<u>\$ 197,366,329</u>	<u>\$ 694,629</u>

CITY OF PORTAGE, MICHIGAN

Capital Assets Used in the Operation of Governmental Funds Comparative Schedules by Source ⁽¹⁾ June 30, 2007

	<u>TOTAL</u>
Governmental funds capital assets:	
Land	\$ 8,080,735
Land improvements	6,332,010
Buildings	11,764,098
Machinery and equipment	5,218,238
Vehicles	4,213,797
Infrastructure	<u>187,434,023</u>
 Total governmental funds capital assets	 <u><u>\$ 223,042,901</u></u>
 Investments in governmental funds capital assets by source:	
General fund	\$ 35,004,067
Cable television fund	314,355
Leaf Pickup / Spring Cleanup fund	290,456
Capital projects funds	<u>187,434,023</u>
 Total investment in governmental funds capital assets	 <u><u>\$ 223,042,901</u></u>

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF PORTAGE, MICHIGAN
Capital Assets Used in the Operation of Governmental Funds
Schedules by Function and Activity ⁽¹⁾
June 30, 2007

Function and Activity	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Infrastructure	TOTAL
General government:							
Legislative	\$ -	\$ -	\$ -	\$ 5,404	\$ -	\$ -	\$ 5,404
Executive	-	-	-	381,362	-	-	381,362
Clerk	-	-	-	15,250	-	-	15,250
Finance/treasury	-	-	-	1,477,954	-	-	1,477,954
Assessor	-	-	-	8,546	-	-	8,546
Community Development	-	-	-	187,960	-	-	187,960
Other - unclassified	5,908,448	339,854	3,048,707	28,106	-	-	9,325,115
Total general government	5,908,448	339,854	3,048,707	2,104,582	-	-	11,401,591
Public safety:							
Police	19,000	38,236	3,110,087	1,365,773	897,427	-	5,430,523
Fire	365,036	77,056	3,057,082	524,724	3,148,992	-	7,172,890
Total public safety	384,036	115,292	6,167,169	1,890,497	4,046,419	-	12,603,413
Public works:	-	-	-	27,805	-	-	27,805
Highways and streets:							
Land	-	-	-	-	-	772,541	772,541
Right of way	-	-	-	-	-	4,163,555	4,163,555
Water & sewer system	-	-	-	-	-	978,383	978,383
Streets and alleys	-	-	-	-	-	167,060,585	167,060,585
Bikeways	-	-	-	-	-	422,490	422,490
Sidewalks	-	-	-	-	-	7,871,124	7,871,124
Bridges	-	-	-	-	-	1,188,922	1,188,922
Retaining walls	-	-	-	-	-	502,656	502,656
Traffic signals	-	-	-	-	-	4,473,767	4,473,767
Total highways and streets:	-	-	-	-	-	187,434,023	187,434,023
Recreation and cultural:							
Senior Citizen Center	44,000	38,200	457,452	25,825	-	-	565,477
Parks and recreation	1,627,503	5,796,834	2,090,770	890,674	-	-	10,405,781
Cable Television	-	-	-	278,855	35,500	-	314,355
Total recreation and cultural:	1,671,503	5,835,034	2,548,222	1,195,354	35,500	-	11,285,613
Health and welfare:							
Leaf Pickup / Spring Clean	116,748	41,830	-	-	131,878	-	290,456
Total governmental funds capital assets:	\$ 8,080,735	\$ 6,332,010	\$ 11,764,098	\$ 5,218,238	\$ 4,213,797	\$ 187,434,023	\$ 223,042,901

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets

CITY OF PORTAGE, MICHIGAN

Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function and Activity ⁽¹⁾ Fiscal Year Ended June 30, 2007

<u>Function and Activity</u>	<u>Capital Assets July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Capital Assets June 30, 2007</u>
General government:				
Legislature	\$ 5,404	\$ -	\$ -	\$ 5,404
Executive	381,362	-	-	381,362
Clerk	15,250	-	-	15,250
Finance/treasury	1,459,359	18,595	-	1,477,954
Assessor	8,546	-	-	8,546
Community Development	166,910	21,050	-	187,960
Other - unclassified	9,066,876	399,433	(141,194)	9,325,115
Total general government	<u>11,103,707</u>	<u>439,078</u>	<u>(141,194)</u>	<u>11,401,591</u>
Public safety:				
Police	5,373,251	214,629	(157,357)	5,430,523
Fire	7,046,219	126,671	-	7,172,890
Total public safety	<u>12,419,470</u>	<u>341,300</u>	<u>(157,357)</u>	<u>12,603,413</u>
Public works	<u>27,805</u>	-	-	<u>27,805</u>
Infrastructure	<u>183,538,064</u>	<u>3,895,959</u>	-	<u>187,434,023</u>
Recreation and cultural:				
Senior citizen center	565,477	-	-	565,477
Parks and recreation	10,351,445	54,336	-	10,405,781
Cable television	314,355	-	-	314,355
Total recreation and cultural	<u>11,231,277</u>	<u>54,336</u>	<u>-</u>	<u>11,285,613</u>
Leaf pickup / Spring cleanup	<u>290,456</u>	-	-	<u>290,456</u>
Total governmental funds capital assets	<u>\$ 218,610,779</u>	<u>\$ 4,730,673</u>	<u>\$ (298,551)</u>	<u>\$ 223,042,901</u>

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

This part of the City of Portage's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	109
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	114
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.</i>	118
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.</i>	123
Operating Information <i>These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.</i>	125

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF PORTAGE, MICHIGAN

Net Assets by Component Last Five Fiscal Years (accrual basis of accounting) (expressed in thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 55,223	\$ 30,168	\$ 24,041	\$ 15,355	\$ 30,047
Restricted	7,351	9,243	7,839	8,249	6,375
Unrestricted	5,351	19,806	17,952	20,132	2,193
Total governmental activities net assets	<u>67,925</u>	<u>59,217</u>	<u>49,832</u>	<u>43,736</u>	<u>38,615</u>
Business-type activities					
Invested in capital assets, net of related debt	67,375	66,191	63,612	62,917	65,553
Restricted	700	700	200	200	200
Unrestricted	4,131	1,400	2,208	1,134	(1,507)
Total business-type activities net assets	<u>72,206</u>	<u>68,291</u>	<u>66,020</u>	<u>64,251</u>	<u>64,246</u>
Primary Government					
Invested in capital assets, net of related debt	122,598	96,359	87,653	78,271	95,600
Restricted	8,051	9,943	8,039	8,449	6,575
Unrestricted	9,482	21,206	20,161	21,266	687
Total primary governmental net assets	<u>\$ 140,131</u>	<u>\$ 127,509</u>	<u>\$ 115,852</u>	<u>\$ 107,986</u>	<u>\$ 102,861</u>

CITY OF PORTAGE, MICHIGAN

Changes in Net Assets Last Five Fiscal Years (accrual basis of accounting) (expressed in thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
Legislative	\$ 50	\$ 45	\$ 48	\$ 54	\$ 49
Judicial	145	7	12	17	25
General government	5,233	5,873	6,014	5,515	5,581
Public safety	12,471	13,968	14,352	14,383	14,967
Public works	361	363	357	420	440
Health and welfare	1,878	1,469	1,714	1,560	1,535
Economic development	-	-	2,535	1,952	-
Recreation and cultural	3,227	3,159	3,125	3,240	3,339
Public transportation	78	112	118	151	58
Highways and streets	3,750	5,747	5,483	2,327	3,945
Unallocated depreciation expense	6,901	7,007	7,023	7,107	7,103
Interest on long-term debt	2,116	3,016	2,739	3,251	2,946
Total governmental activities expenses	36,211	40,767	43,520	39,977	39,989
Business-type activities:					
Sewer	4,238	5,143	5,472	5,723	5,351
Water	3,229	6,742	4,969	4,931	4,004
Total business-type activities expenses	7,467	11,885	10,441	10,654	9,355
Total primary government expenses	\$ 43,678	\$ 52,653	\$ 53,961	\$ 50,631	\$ 49,344
Program revenues					
Governmental activities:					
Charges for services	2,396	2,313	2,475	2,440	2,360
Operating grants and contributions					
Highways & streets	3,406	3,706	3,623	3,578	3,474
Other activities	1,457	944	1,369	1,248	896
Capital grants and contributions					
Public works	1,024	1,138	978	1,053	285
Health & welfare	1,003	1,282	1,182	1,242	1,239
Other activities	0	48	150	61	5
Total governmental activities program revenues	9,285	9,431	9,777	9,621	8,260

continued

CITY OF PORTAGE, MICHIGAN

	Fiscal Year				
	2003	2004	2005	2006	2007
Business-type activities:					
Charges for services					
Sewer	4,106	4,148	4,432	4,879	4,739
Water	3,391	3,302	3,540	3,869	3,813
Operating grants and contributions	105	78	98	97	70
Capital grants and contributions	-	-	-	2	-
Total business-type activities program revenues	7,602	7,528	8,070	8,847	8,622
Total primary government program revenues	16,888	16,959	17,847	18,469	16,882
Net (expense)/revenue					
Governmental activities:	\$ (26,926)	\$ (31,336)	\$ (33,743)	\$ (30,356)	\$ (31,729)
Business-type activities	135	(4,357)	(2,371)	(1,807)	(733)
Total primary government net expense	\$ (26,790)	\$ (35,693)	\$ (36,114)	\$ (32,162)	\$ (32,461)
General Revenues & Other Changes in Net Assets					
Governmental activities:					
Property taxes	15,305	16,583	17,928	17,936	20,042
Unrestricted grants & contributions	6,211	6,242	6,207	5,758	5,443
Unrestricted investment earnings	104	161	296	593	388
Gain on sale of capital assets	6	3	26	9	1,347
Transfers	82	(442)	(100)	(37)	(611)
Total governmental activities	21,709	22,547	24,358	24,259	26,608
Business-type activities:					
Unrestricted grants & contributions	1,474	-	-	-	117
Transfers	(82)	442	100	37	611
Total business-type activities	1,392	442	100	37	728
Total primary government	\$ 23,101	\$ 22,989	\$ 24,458	\$ 24,296	\$ 27,337
Change in Net Assets					
Governmental activities	(5,217)	(8,789)	(9,385)	(6,097)	(5,120)
Business-type activities	1,528	(3,915)	(2,271)	(1,770)	(5)
Total primary government	\$ (3,689)	\$ (12,704)	\$ (11,656)	\$ (7,866)	\$ (5,125)

CITY OF PORTAGE, MICHIGAN
Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	2003	2004	Fiscal Year 2005	2006	2007
General fund					
Reserved	\$ 749	\$ 1,324	\$ 1,109	\$ 1,077	\$ 1,513
Unreserved	2,568	2,405	2,967	3,337	2,782
Total general fund	<u>3,317</u>	<u>3,729</u>	<u>4,076</u>	<u>4,414</u>	<u>4,295</u>
All other governmental funds					
Reserved	2,418	4,313	2,818	5,142	3,489
Unreserved, reported in:					
Special assessments fund	3,391	3,124	2,801	4,440	3,989
Capital Improvement fund	-	-	-	-	(2,237)
Local Development Finance Authority	-	3,164	-	-	-
Streets funds	154	645	626	539	943
Nonmajor governmental funds	279	294	455	401	256
Total all other governmental funds	<u>\$ 6,242</u>	<u>\$ 11,539</u>	<u>\$ 6,700</u>	<u>\$ 10,523</u>	<u>\$ 6,440</u>

CITY OF PORTAGE, MICHIGAN
Changes in Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	2003	2004	Fiscal Year 2005	2006	2007
Revenues					
Taxes and special assessments	\$ 17,127	\$ 18,152	\$ 19,737	\$ 21,612	\$ 21,846
Licenses and permits	1,177	1,185	1,271	1,189	1,170
Intergovernmental	8,783	8,393	8,274	8,296	7,772
Charges for services	2,528	2,872	2,854	2,492	2,226
Fines and forfeits	116	-	4	-	-
Interest and rents	760	879	955	1,522	1,158
Other	409	315	998	458	1,683
Total revenues	30,900	31,796	34,094	35,569	35,855
Expenditures					
Legislative	50	45	48	54	49
Judicial	145	7	12	17	25
General government	4,724	5,047	5,264	5,220	5,097
Public safety	11,529	12,538	13,278	13,460	14,247
Public works	332	335	339	357	372
Health and welfare	1,862	1,437	1,694	1,545	1,551
Recreation and cultural	2,815	2,736	2,699	2,841	2,974
Public transportation	78	107	113	149	61
Highways and streets	3,694	3,310	3,755	3,021	3,301
Refund of tax revenues	-	-	-	10	-
Development		-	2,535	1,952	-
Capital outlay	9,265	8,460	10,488	5,511	5,605
Debt service:					
Principal	2,207	2,943	3,366	3,223	3,892
Interest and fiscal charges	1,981	2,224	2,591	2,803	3,040
Total expenditures	38,683	39,189	46,183	40,165	40,215
Excess of revenues over (under) expenditures	(7,782)	(7,393)	(12,089)	(4,596)	(4,360)
Other financing sources (uses)					
Issuance of debt	8,443	13,242	8,063	8,794	785
Transfers in	4,448	6,012	5,245	5,731	7,348
Transfers out	(4,366)	(6,753)	(5,712)	(5,768)	(7,958)
Total other financing sources (uses)	8,525	12,501	7,596	8,757	174
Net change in fund balances	\$ 742	\$ 5,109	\$ (4,493)	\$ 4,161	\$ (4,186)
Debt service as a percentage of noncapital expenditures	12.1%	15.2%	14.8%	17.7%	20.8%

CITY OF PORTAGE, MICHIGAN

(unaudited)

Assessed Value and Estimated Market Value of Taxable Property

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended June 30,	Real Property		Personal Property	Less: Tax Exempt Real Property ⁽²⁾	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Market Value	Assessed Value as a Percentage of Market Value
	Residential Property	Commercial Property	Manufacturing Equipment					
1998	692,466	333,163	265,163	49,709	1,241,082	11.334	2,482,165	50.0%
1999	745,563	345,363	279,607	52,873	1,317,660	10.177	2,635,319	50.0%
2000	794,304	386,753	293,155	57,242	1,416,971	10.100	2,833,942	50.0%
2001	837,766	422,894	261,452	61,100	1,461,012	10.000	2,922,023	50.0%
2002	877,796	470,277	318,262	65,336	1,600,999	10.000	3,201,998	50.0%
2003	939,312	552,558	311,534	72,306	1,731,099	10.302	3,462,197	50.0%
2004	1,010,201	548,090	319,845	75,525	1,802,611	10.144	3,605,222	50.0%
2005	1,083,196	573,222	330,008	80,281	1,906,146	10.144	3,812,292	50.0%
2006	1,147,909	597,627	330,667	84,600	1,991,603	10.144	3,983,205	50.0%
2007	\$ 1,218,346	\$ 620,179	\$ 311,598	\$ 94,849	\$ 2,055,275	10.144	\$ 4,110,549	50.0%

(1) According to State Statute, all property is to be assessed at 50 percent of market value (State Equalized Value).

(2) Tax exempt real property estimated prior to 2006.

SOURCE: City Assessor's Office, L-4022 Report

CITY OF PORTAGE, MICHIGAN
(unaudited)
Property Tax Rates
Direct and Overlapping¹ Governments
(Per \$1,000 of Taxable Value)
Last Ten Fiscal Years

Fiscal Year Ended June 30,	City of Portage						Total City Millage
	General Fund	Library	Capital Improvements	Debt Service	Curbside Recycling	Fall Leaf/ Spring Clean ⁽¹⁾	
1998	7.2100	1.1570	2.0000	0.2130	0.4200	0.3340	11.3340
1999	7.1559	-	2.0000	0.2011	0.4200	0.4000	10.1770
2000	7.1469	-	2.0000	0.1931	0.3600	0.4000	10.1000
2001	7.0849	-	2.0000	0.1931	0.4350	0.2870	10.0000
2002	7.1480	-	2.0000	0.1920	0.3730	0.2870	10.0000
2003	7.4672	-	2.0000	0.1575	0.2900	0.3870	10.3017
2004	7.3592	-	2.0000	-	0.3850	0.4000	10.1442
2005	7.4712	-	2.0000	-	0.3200	0.3530	10.1442
2006	7.4372	-	2.0000	-	0.3070	0.4000	10.1442
2007	7.5000	-	2.0000	-	0.2742	0.3700	10.1442

Overlapping Rates

Fiscal Year Ended June 30,	State Education Tax	Portage Public Schools ⁽²⁾	Portage District Library	Kalamazoo County	Kalamazoo Regional Educational Service Agency	Kalamazoo Valley Community College	Total Direct & Overlapping Rates
1998	6.0000	2.6762	-	5.8405	3.0500	2.8231	31.7238
1999	6.0000	2.6762	1.4200	6.1400	3.0500	2.8231	32.2863
2000	6.0000	2.6762	1.3800	6.1400	3.0418	2.8152	32.1532
2001	6.0000	3.7000	1.4900	6.1400	3.0416	2.8151	33.1867
2002	6.0000	3.7000	1.4900	6.1400	3.0416	2.8151	33.1867
2003	6.0000	3.7000	1.4900	6.1362	3.0416	2.8139	33.4834
2004	5.0000	3.7000	1.4900	6.1362	3.0416	2.8139	32.3259
2005	6.0000	3.7000	1.4900	6.1362	3.0416	2.8135	33.3255
2006	6.0000	2.7000	1.4900	6.1362	4.5416	2.8135	33.8255
2007	6.0000	2.7000	1.4900	6.5862	4.5416	2.8135	34.2755

Notes:

(1) Overlapping rates are those of local and county government that apply to property owners within the City of Portage. Not all overlapping rates apply to all City of Portage property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.)

(2) Non homestead properties add 18 mills

SOURCE: Treasury Office

CITY OF PORTAGE, MICHIGAN

(unaudited)

Principal Property Taxpayers Current Year and Nine Years Ago June 30, 2007

Name	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Pfizer , Inc. (fka Pharmacia & Upjohn, Inc)	\$ 274,510,718	1	13.74 %	\$ 329,764,700	1	25.54 %
Crossroads Mall (Connecticut Gen'l Life Ins Co)	21,494,343	2	1.08	28,189,100	2	2.18
Consumers Energy Co.	18,157,265	3	0.91	18,742,700	4	1.45
Stryker Corporation	17,791,434	4	0.89	14,929,500	5	1.16
Edward Rose Associates	11,965,394	5	0.60	8,874,800	6	0.69
Meijer, Inc.	8,990,274	6	0.45	5,418,300	10	0.42
Mann+Hummel	8,647,161	7	0.43			
Southland Mall Ltd	7,665,030	8	0.38	22,624,300	3	1.75
Bowers Manufacturing	7,145,147	9	0.36			
Summit Polymers / Mueller Plastics	7,129,681	10	0.36	7,264,600	7	0.56
Moors Investments/Woodbridge Development				6,333,900	9	0.49
Target/Portage Crossings				6,730,600	8	0.52
Totals	<u>\$ 383,496,447</u>		<u>19.20 %</u>	<u>\$ 448,872,500</u>		<u>34.77 %</u>

SOURCE: City Assessor's Office

CITY OF PORTAGE, MICHIGAN

(unaudited)

Property Tax Levies and Collections

Last Ten Fiscal Years

(expressed in thousands)

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date	
		Collected by due date	Percentage of Levy	Collections in subsequent years	Amount	Percentage of Levy
1998	\$ 14,182	13,989	98.6%	\$ 11	14,000	98.7%
1999	13,643	13,425	98.4%	9	13,434	98.5%
2000	14,198	13,941	98.2%	10	13,951	98.3%
2001	14,300	13,992	97.8%	10	14,002	97.9%
2002	15,575	14,833	95.2%	19	14,851	95.4%
2003	15,849	15,542	98.1%	23	15,565	98.2%
2004	16,661	16,372	98.3%	25	16,397	98.4%
2005	17,714	17,530	99.0%	16	17,546	99.1%
2006	18,589	18,334	98.6%	238	18,572	99.9%
2007	19,674	18,719	95.1%	643 *	19,362	98.4%

Notes:

The city holds only delinquent personal property taxes: any real estate taxes not collected by the date due are turned over to Kalamazoo County as of March 1st each year, and the city receives full settlement.

* Includes a one-time settlement of \$355,000 from Pfizer Corp, the city's largest taxpayer.

SOURCE: Treasury Office

CITY OF PORTAGE, MICHIGAN
(unaudited)
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(expressed in thousands, except per capita)

June 30,	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Governmental Activities										
General Obligation bonds	\$ 2,802	\$ 2,556	\$ 3,511	\$ 2,652	\$ 2,254	\$ 2,920	\$ 2,666	\$ 2,913	\$ 2,543	\$ 2,162
Special Assessment bonds	6,050	5,855	6,585	6,789	6,529	8,394	8,314	8,054	7,415	7,280
Motor Vehicle Highway bonds	12,280	11,495	13,220	12,675	15,390	14,900	14,230	13,530	12,780	11,925
Capital Improvement bonds	-	-	-	-	-	5,480	10,985	17,643	22,418	21,165
Redevelopment bonds	6,375	7,280	11,205	12,500	18,965	18,480	24,000	23,065	25,455	24,585
Other debt	487	463	210	148	98	48	-	-	-	-
Total governmental activities	27,994	27,649	34,730	34,764	43,236	50,222	60,195	65,205	70,611	67,117
Business-Type Activities										
Utility Revenue bonds	9,345	8,965	8,585	11,505	14,325	17,770	19,525	16,155	15,600	14,970
Capital Improvement bonds	-	-	-	-	-	-	-	8,732	9,932	9,352
General Obligation bonds	3,825	3,813	3,475	4,379	4,290	5,055	5,299	4,202	3,742	3,221
Capital Lease	1,500	1,250	1,000	750	500	250	-	-	-	-
Total business-type activities	14,670	14,028	13,060	16,634	19,115	23,075	24,824	29,089	29,274	27,543
Total primary government	\$42,664	\$41,677	\$47,791	\$51,398	\$62,351	\$73,297	\$85,019	\$94,294	\$99,885	\$94,660
Percentage of personal income ⁽¹⁾	0.181%	0.170%	0.188%	0.195%	0.231%	0.267%	0.295%	0.318%	0.328%	0.302%
Per capita	953	930	1,064	1,150	1,387	1,605	1,869	2,083	2,202	2,093

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ See the Schedule of Demographic and Economic Statistics on a later page for personal income and population data.

SOURCE: City Annual Financial Statements

CITY OF PORTAGE, MICHIGAN
(unaudited)
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(expressed in thousands, except per capita)

<u>Fiscal Year Ended June 30,</u>	<u>Gross Bonded Debt</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value⁽¹⁾ of Property</u>	<u>Per Capita</u>
1998	\$ 36,127	\$ 29	\$ 36,098	1.45%	\$806
1999	35,349	172	35,177	1.33%	785
2000	40,996	197	40,799	1.44%	909
2001	51,250	160	51,090	1.75%	1,143
2002	62,253	77	62,176	1.94%	1,383
2003	73,249	162	73,087	2.11%	1,600
2004	85,294	180	85,114	2.36%	1,872
2005	95,349	936	94,413	2.48%	2,085
2006	100,940	1,995	98,945	2.48%	2,182
2007	95,715	2,181	93,534	2.28%	2,068

SOURCE: City Annual Financial Statements

CITY OF PORTAGE, MICHIGAN
(unaudited)
Computation of Direct and Overlapping Bonded Debt
June 30, 2007

Name of Governmental Unit	Bonds Outstanding	Percent Applicable to City	City's Share of Debt
City of Portage:			
General Obligation Bonds	\$ 5,383,890	100.00%	\$ 5,383,890
Building Authority Bonds	12,610,000	100.00%	12,610,000
Downtown Development Authority Bonds	5,705,000	100.00%	5,705,000
Local Development Finance Authority Bonds	6,270,000	100.00%	6,270,000
Special Assessment Bonds	7,280,000	100.00%	7,280,000
Motor Vehicle Highway Fund Bonds	11,925,000	100.00%	11,925,000
Capital Improvement Bonds	30,516,110	100.00%	30,516,110
Revenue Bonds	14,970,000	100.00%	14,970,000
Bond Anticipation Notes	1,055,000	100.00%	1,055,000
Total	<u>\$ 95,715,000</u>		<u>\$ 95,715,000</u>
Portage Public Schools ⁽¹⁾	30,575,000	87.36%	26,710,320
Vicksburg Public Schools ⁽¹⁾	20,639,000	6.99%	1,442,666
Comstock Public Schools ⁽¹⁾	7,256,000	2.54%	184,302
Schoolcraft Public Schools ⁽¹⁾	18,593,249	2.26%	420,207
Kalamazoo County ⁽¹⁾	9,194,500	25.31%	2,327,128
Total			<u>\$ 31,084,623</u>
Total of City's share of debt			<u><u>\$ 126,799,623</u></u>

Note:

⁽¹⁾ Overlapping jurisdictions outstanding and overlapping debt as of October 31, 2006

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Portage. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

SOURCE: Municipal Financial Consultants Incorporated

CITY OF PORTAGE, MICHIGAN

(unaudited)

Computation of Legal Debt Margin

Last Ten Fiscal Years

(expressed in thousands)

For Special Assessment Bonds

State Equalized Assessed Value - June 30, 2007	\$ 2,220,912
Debt limit - twelve percent of Adjusted State Equalized Assessed Value	266,509
Special Assessment Bonds	7,280
Legal debt margin	<u>\$ 259,229</u>

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$164,400	\$176,697	\$186,839	\$199,963	\$216,411	\$225,376	\$238,371	\$249,144	\$258,015	\$ 266,509
Debt applicable to limit	6,530	6,485	7,705	7,269	6,529	9,644	8,314	8,054	7,415	7,280
Legal debt margin	<u>\$157,870</u>	<u>\$170,212</u>	<u>\$179,134</u>	<u>\$192,694</u>	<u>\$209,882</u>	<u>\$215,732</u>	<u>\$230,057</u>	<u>\$241,090</u>	<u>\$250,600</u>	<u>\$ 259,229</u>

Computation of Legal Debt Margin

For General Obligation Bonds

State Equalized Assessed Value - June 30, 2007	\$ 2,220,912
Debt limit - ten percent of Adjusted State Equalized Assessed Value	222,091
Amount of debt applicable to debt limit:	
General Obligation Debt	67,765
Legal debt margin	<u>\$ 154,326</u>

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$137,000	\$147,248	\$155,699	\$166,636	\$180,343	\$187,814	\$198,643	\$207,620	\$215,012	\$ 222,091
Debt applicable to limit	17,507	17,909	24,151	23,979	33,509	32,588	37,984	53,365	62,415	67,765
Legal debt margin	<u>\$119,493</u>	<u>\$129,339</u>	<u>\$131,548</u>	<u>\$142,656</u>	<u>\$146,834</u>	<u>\$155,225</u>	<u>\$160,658</u>	<u>\$154,256</u>	<u>\$152,597</u>	<u>\$ 154,326</u>

SOURCE: Assessor (SEV)

City Annual Financial Statements (debt balances)

Note: Under state finance law (Section 4a, Act 279 or 1909 and Act 202, P.A. 1943 as amended by Act 42 P.A. 1960), the city's outstanding general obligation debt should not exceed 10 percent of adjusted State Equalized Value.

CITY OF PORTAGE, MICHIGAN

(unaudited)

Pledged Revenue Coverage

Last Ten Fiscal Years

(expressed in thousands)

Fiscal Year Ended June 30,	Utility Revenue Bonds						Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements			Special Assessment Collections	Debt Service Requirements		
				Principal	Interest	Coverage		Principal	Interest	Coverage
1998	\$ 6,189	\$ 4,245	\$ 1,944	\$ 330	\$ 491	2.37	\$ 1,098	\$ 988	\$ 367	0.81
1999	6,806	4,277	2,529	380	501	2.87	938	880	340	0.77
2000	6,516	4,857	1,659	380	483	1.92	215	640	339	0.22
2001	7,005	5,033	1,973	410	623	1.91	481	756	362	0.43
2002	7,693	4,389	3,304	560	705	2.61	2,005	780	351	1.77
2003	7,498	5,295	2,202	555	701	1.75	1,075	841	309	0.93
2004	7,450	7,637	(187)	705	803	(0.12)	1,069	955	375	0.80
2005	7,972	7,158	814	485	527	0.80	941	910	354	0.74
2006	8,720	7,260	1,460	555	650	1.21	2,893	919	336	2.31
2007	8,618	7,250	1,369	630	630	1.09	773	920	304	0.63

122

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

CITY OF PORTAGE, MICHIGAN
(unaudited)
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population ⁽¹⁾	Personal Income (thousands of dollars)	Per Capita Personal Income (est)	Median Household Income ⁽²⁾	Median Age	Education Level in Years of Schooling	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
1998	44,771	1,056,746	\$ 23,603	47,925	35.8	14.0	8,800	2.0%
1999	44,834	1,098,830	24,509	48,668	35.8	14.0	8,900	2.3%
2000	44,897	1,141,012	25,414	49,410	35.8	14.0	8,650	1.8%
2001	44,707	1,178,858	26,369	50,029	35.8	14.0	8,600	3.9%
2002	44,943	1,210,664	26,938	50,544	35.8	14.0	8,600	2.9%
2003	45,679	1,254,894	27,472	50,974	35.8	14.0	8,900	3.9%
2004	45,478	1,309,013	28,783	51,332	35.8	14.0	8,838	3.7%
2005	45,277	1,341,433	29,627	51,631	35.8	14.0	8,962	3.7%
2006	45,354	1,381,973	30,471	51,900	35.8	14.0	8,816	3.7%
2007	45,236	1,416,559	31,315	51,900	35.8	14.0	8,800	4.2%

Notes:

⁽¹⁾ 2000 figure from 2000 US Census, other annual changes estimated

⁽²⁾ 1997 thru 1999 figures based on 1990 census, increases estimated.
2000 figure based on 2000 census

2001 thru 2006 estimated using US Census Bureau, City-Data.com

⁽³⁾ Portage Public Schools Community Relations

⁽⁴⁾ Municipal Financial Consultants Incorporated

Source: Finance Director

CITY OF PORTAGE, MICHIGAN

(unaudited)

Principal Employers

Current Year and Nine Years Ago

June 30, 2007

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Pfizer , Inc. (fka Pharmacia & Upjohn, Inc)	3,500	1	13.09 %	4,200	1	17.16 %
Stryker Corporation	1,600	2	5.98	900	5	3.68
Meijer, Inc.	1,361	3	5.09	675	6	2.76
Portage Public Schools	1,121	4	4.19	1,193	4	4.87
State Farm Mutual Auto Insurance Co.	750	5	2.81			
Summit Polymers / Mueller Plastics	550	6	2.06	1,200	3	4.90
Wal-Mart	406	7	1.52			
Kal. Regional Educational Service Agency	350	8	1.31			
J C Penney Co., Inc	300	9	1.12	350	7	1.43
Bowers Manufacturing	295	10	1.10	320	8	1.31
Wise Personnel Service, Inc.				2,516	2	10.28
Hudson Department Stores				300	9	1.23
Harding's Galesburg Market				248	10	1.01
Totals	10,233		38.28 %	11,902		48.63 %

SOURCE: Municipal Financial Consultants Incorporated

CITY OF PORTAGE, MICHIGAN
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Assessor	n/a	n/a	6	6	6	5	6	6	6	6
Clerk	n/a	n/a	3	3	3	3	3	3	3	3
City Administration	n/a	n/a	7	8	8	8	9	9	8	8
Finance	n/a	n/a	10	11	11	10	10	10	10	10
Human Resources	n/a	n/a	7	7	7	9	8	8	8	9
Management Information Svcs.	n/a	n/a	5	0	0	0	0	0	0	0
Purchasing	n/a	n/a	3	3	3	2	2	2	3	3
Police Protection										
Administrative	n/a	n/a	4	4	4	4	4	4	4	4
Operations	n/a	n/a	72	75	75	72	74	75	75	74
Fire Protection										
Administrative	n/a	n/a	4	4	4	4	4	4	4	4
Operations	n/a	n/a	30	31	31	31	31	31	31	31
Streets and Equipment	n/a	n/a	26	26	26	26	25	24	25	23
Community Development	n/a	n/a	18	19	18	18	18	18	18	18
Transportation and Utilities	n/a	n/a	8	9	10	9	9	9	9	9
Parks and recreation	n/a	n/a	16	16	16	15	15	17	17	17
Senior Center	n/a	n/a	4	4	4	4	4	5	6	6
Total	n/a	n/a	223	226	226	220	222	225	227	225

SOURCE: City Annual Budget

CITY OF PORTAGE, MICHIGAN
Operating Indicators by Function/Program
Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Function										
Police										
Arrests	3,204	3,504	3,535	3,571	2,766	2,676	2,754	4,010	4,695	4,700
Traffic citations	6,342	6,353	7,120	6,605	5,748	5,542	5,208	4,533	3,616	3,600
Calls for service (Police & Fire)	20,717	21,102	22,571	24,102	20,206	24,358	24,718	23,913	24,934	24,000
Fire										
Number of calls answered										
Fire	526	530	520	136	148	122	118	117	134	120
Emergency medical	3,589	2,633	3,700	1,977	1,966	1,836	2,019	1,620	1,761	1,750
Inspections	1,284	1,350	1,300	1,823	1,804	1,896	2,143	3,000	2,971	3,100
Parks and Recreation										
Acreage of intensive maintenance	186	190	190	191	196	197	200	203	207	207
Acreage of boulevard mowing	50	98	100	116	122	125	129	129	129	130
Highways and streets										
Miles of major streets plowed	n/a	59	60	70	70	71	71	71	71	71
Miles of streets resurfaced	n/a	n/a	12	46	6	3	1	2	33	3
Miles of right-of-way mowed	n/a	n/a	10	10	10	41	50	58	52	66
Miles of streets swept	3,179	3,870	4,542	2,662	3,477	3,017	4,688	4,800	4,500	5,000
Water utility										
Water pumped & treated (millions of gallons)	1,787	1,787	1,787	1,886	1,540	2,043	1,968	2,000	2,170	2,200
Water main breaks	28	19	34	25	24	35	28	21	24	24
Sewer utility										
Sewage transported (millions of gallons)	1,576	1,591	1,649	1,595	1,606	1,759	1,778	1,818	1,850	1,890
Miles of sewers cleaned	77	99	91	89	105	96	133	96	95	95
Lift station inspections	4,275	3,332	4,601	2,988	3,848	4,004	3,894	3,950	3,750	3,800

SOURCE: Department of Transportation & Utilities, Police Department, Fire Department, Department of Parks & Recreation

CITY OF PORTAGE, MICHIGAN
Capital Asset Statistics by Function
Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Function										
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	30	30	30	30	30	30	30	32	32	35
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Vehicles	16	16	16	16	16	16	17	14	14	14
Health and welfare										
Number of parks	12	13	13	14	14	14	14	15	15	15
Acres of parks	706	712	712	712	712	721	724	724	724	724
Senior citizen centers	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Miles of Streets	188	193	200	203	205	206	211	215	217	217
Water utility										
Water mains (miles)	193	198	205	209	217	220	226	233	237	237
Number of fire hydrants	1,900	1,900	1,900	1,900	2,150	2,242	2,327	2,498	2,455	2,500
Number of customers	11,246	11,415	11,655	11,888	12,194	12,533	12,757	13,025	13,133	13,358
Sewer utility										
Sewer lines (miles)	194	199	202	205	209	213	218	221	224	227
Lift stations	54	54	54	54	54	55	55	56	55	55
Number of customers	12,606	12,716	12,960	13,492	13,638	13,970	14,161	14,450	14,662	14,887

SOURCE: City Annual Budget